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WORLD AND CANADIAN MARKET OUTLOOK FOR GRAINS AND OILSEEDS IN 2003-2004

World wheat prices are expected to decrease in 2003-2004, assuming a return to normal growing conditions and higher production in the United States (US), Canada and Australia. World coarse grain and oilseed prices are also expected to decrease, largely due to increased supplies and lower corn and soybean prices in the US. For most of the major crops, domestic support programs in the US and the European Union (EU) are expected to continue to encourage high production which will also pressure prices downward.

In Canada, area seeded to grains and oilseeds is expected to increase while the area in summerfallow is forecast to decrease significantly due to the high prices in 2002-2003. In general, in western Canada, it has been assumed that an increased proportion of the area seeded will be harvested for grain. Total production of grains and oilseeds is expected to increase from about 42 million tonnes (Mt) to 62 Mt, largely due to higher production in western Canada which was seriously impacted by drought in 2001-2002 and 2002-2003. Total exports of grains and oilseeds are projected to rise in 2002-2003 and imports, particularly of US corn, are forecast to decrease considerably. Prices for grains and oilseeds are expected to decrease from the drought-related highs of 2002-2003. Prices will also be pressured by any appreciation of the Canadian dollar relative to the US dollar.

The market outlook for 2003-2004 is very tentative at the present time since there is a high degree of uncertainty regarding global supply and demand conditions. Normal weather patterns have been assumed. World, and Canadian, stocks of wheat and coarse grains are low, and serious weather problems in any of the major importing or exporting countries could significantly alter the outlook. In Canada, due to extremely low subsoil moisture conditions in Saskatchewan and Alberta, and low carry-in stocks, precipitation patterns will be one of the major factors to watch.

WHEAT

World wheat **area harvested** for 2003-2004 is forecast by Agriculture and Agri-Food Canada (AAFC) to increase by about 3% to 219 million hectares (Mha), just slightly below the 10-year average, largely due to higher area in North America and Australia.

Area seeded will be supported by strong prices for wheat in 2002-2003. The rate of abandonment is expected to decrease significantly from the drought afflicted crops of 2002-2003. Assuming normal growing conditions and average yields, **production** is forecast to rise by 6% to about 600 Mt, the highest since 1997-1998, due to higher yields

in Canada, Australia and the US from the drought-reduced crops of 2002-2003. Supplies will be up marginally with lower carry-in stocks largely offsetting the higher production.

World wheat **consumption** is projected to decrease from 2002-2003 due to reduced feed use resulting from increased supplies of coarse grain. Human food use of wheat is expected to increase marginally to about 482 Mt, because of rising world population and continued recovery in the East Asian economies, while the use of wheat for animal feed is expected to decline slightly, to about 115 Mt. World **trade** is expected to be similar to both 2002-2003 and the 10-year average at 105 Mt. Non-traditional exporters,

such as Russia and the Ukraine, which are expected to export 9.5 and 9.0 Mt, respectively in 2002-2003, are expected to continue to play an important role in the wheat market. World **carry-out stocks** are projected to increase slightly to 178 Mt, well below the 5-year average of 197 Mt.

US seeded area is expected to be up by 6% for 2003-2004, to 25.8 Mha due to the strong wheat prices in 2002-2003. Program payments under the *Farm Security and Rural Investment Act* (FSRIA) are expected to support higher production. The loan rate increased from US\$2.58 per bushel (/bu) in 2002-2003 to US\$2.80/bu for 2003-2004 but is expected to be below farm prices. Harvested area is forecast to rise by 18% to

Canada

22.1 Mha, due to lower abandonment of winter wheat, assuming normal winterkill. Production is forecast by AAFC to increase by 36%, to 60 Mt (about 2.2 billion bushels), assuming a trend yield of 40.2 bushels per acre (bu/ac). However, total wheat supplies are expected to increase by only 10% due to low carry-in stocks. The winter wheat crop is currently in much better condition than at this date a year ago. However, subsoil moisture remains below normal in parts of the major US Hard Red Winter (HRW) wheat growing regions so that timely rains will be needed this spring to achieve normal yields.

EU wheat area is forecast to decline by 4% from 2002-2003, due to low prices which were partly a result of near-record imports of wheat from Eastern Europe and the Former Soviet Union (FSU). Assuming a trend yield of 5.98 tonnes per hectare (t/ha), production is forecast to decline by just 1%, to 102 Mt. Carry-in stocks are forecast to decline by 7%, and as a result EU wheat supplies are expected to decrease by 2% for 2003-2004.

DURUM

World

Durum production is forecast to rise by 7%, to about 34 Mt, largely due to increased production in Canada, Australia and the US. The increased production will be partly offset by lower carry-in stocks, and world supplies are expected to be up by 4% at 36 Mt. Trade is forecast to decline by 6%, to 6.9 Mt, assuming normal growing conditions in North Africa, the major durum importing region. World carry-out stocks are forecast to increase by 47%, to 3.1 Mt, but remain below the 5-year average of 3.7 Mt.

PRICES: WHEAT AND DURUM

Although world wheat stocks are expected to rise only slightly, stocks in the five major wheat exporting countries, Canada, the US, the EU, Australia and Argentina, are forecast to increase by more than 40% by the end of 2003-2004, to about 38 Mt. EU carry-out stocks are expected to rise by 7% to 11 Mt. US stocks are forecast to increase by 57%, to about 15 Mt, and the US stock-to-use ratio will rise to 25%, from 16% in 2002-2003. Stocks in non-traditional exporting countries such as Russia, Ukraine and India are also forecast to rise in 2003-2004, with total FSU stocks forecast to rise by 6%, to 22 Mt, the highest since 1993-1994. As a result, wheat prices will come under strong pressure in 2003-2004.

US Hard Winter Ordinary (HWO) wheat prices, free on board (FOB) US Gulf, are forecast to decline to about US\$130-150 per tonne (/t) for 2003-2004 (for the Canadian August-July crop year), compared to an estimated US\$170-180/t for 2002-2003, and US\$130/t in 2001-2002. The price for US Dark Northern Spring wheat with 14% protein (DNS 14), FOB Pacific Northwest, is forecast at US\$145-165/t, down by about US\$35/t from 2002-2003. Premiums for spring wheat on the Minneapolis Grain Exchange versus HRW wheat on the Kansas City Board of Trade are forecast to decrease, assuming an increase in US and Canadian spring wheat production in 2003-2004. Protein premiums are expected to rise, however, assuming a return to normal protein levels in the US and Canadian spring wheat crops from the higher than normal levels of 2002-2003. High protein Canada Western Red Spring (CWRS) wheat is generally priced competitively with US DNS 14 wheat, while lower protein CWRS and Canada Prairie

Spring (CPS) wheat are usually priced competitively with US HWO.

World durum prices are expected to decline in 2003-2004, due to larger world supplies and rising stocks. Supplies in the major exporting countries are expected to rise by 5%, to about 18 Mt, but remain below the 10-year average of 19 Mt. World import demand is expected to decline due to increased production in North Africa, the EU, and the US. The US No.3 Hard Amber Durum (HAD) price, FOB St. Lawrence, is forecast at US\$155-175/t (August-July), versus US\$205-215/t in 2002-2003.

Export subsidies are not expected to be a significant factor in the world wheat market in 2003-2004. The US has not used the Export Enhancement Program since June of 1995, and continues to make use of credit and food aid programs to stimulate exports, with loan deficiency payments (LDP) used to support farm prices. With declining world prices, EU subsidies are not expected to be high. The value of the euro against the US dollar will be a major factor in determining the need for export subsidies.

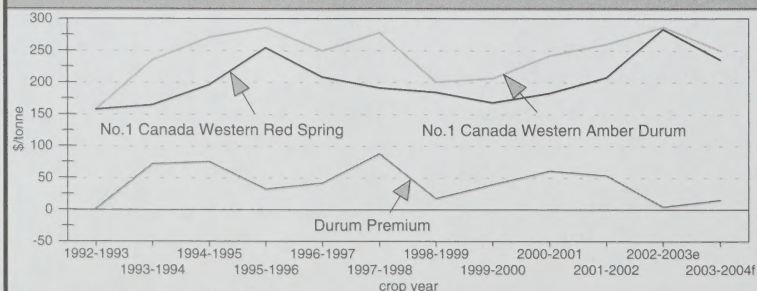
The average US wheat LDP for 2002-2003 to-date on 5% of the crop has been US\$0.14/bu versus US\$0.24/bu in 2001-2002 on 35% of the crop. LDP are expected to increase in 2003-2004, due to lower average farm prices.

CANADA

Non-durum wheat harvested area is expected to increase by over 30% in 2003, due to a 7% increase in seeded area and a sharp drop in abandonment compared to the drought-ravaged 2002 crop. Production is forecast to increase by 73%, to 20.8 Mt, assuming yields return to a near-normal level of about 36 bu/ac., from the drought-reduced 28 bu/ac. in 2002. The larger production will be partly offset by lower carry-in stocks, and supplies are forecast to rise by 43%. Domestic use is projected to decline by 2%, due to reduced feed use, assuming a return to normal quality in the 2003 crop. Exports are expected to nearly double, to 12.2 Mt, but remain below the 5-year average of 13.5 Mt. Carry-out stocks are projected to increase by 43%, to 5.0 Mt, versus the 5-year average of 5.7 Mt.

Durum seeded area is projected to decrease slightly due to lower premiums over spring wheat in 2002-2003, but harvested area is forecast to increase by 10% due to

CANADIAN WHEAT BOARD FINAL REALIZED WHEAT PRICES



lower abandonment. **Production** is forecast to rise by 34%, to 5.0 Mt, assuming a return to near-normal yields. This will be partly offset by the 48% lower carry-in stocks so that durum **supplies** rise by only 11%, to 5.9 Mt, which remains below the 5-year average of 6.5 Mt. Despite larger supplies, **exports** are projected to rise only slightly, to 3.5 Mt, since world import demand is expected to soften, resulting in increased competition for export markets. **Carry-out stocks** are forecast rise to 1.4 Mt, from 1.0 Mt in 2002-2003, but remain well below the 5-year average of 1.8 Mt.

Ontario winter wheat seeded area is estimated by Statistics Canada at a record 0.4 Mha, an increase of 67% from 2002-2003, due to high wheat prices in the fall of 2002. Production is forecast to rise by 68%, to a record 1.9 Mt. The Ontario Wheat Producers' Marketing Board's 2003-2004 pool returns for No.1 or 2 Canada Eastern White Winter wheat are forecast by AAFC at \$150-160/t, terminal or processor position, versus about \$190/t in 2002-2003.

AAFC forecasts the 2003-2004 Canadian Wheat Board (CWB) pool returns for No.1

CWRS wheat with 11.5% protein at \$235/t, in-store Vancouver or St. Lawrence (I/S VC/SL), \$48/t below the 2002-2003 CWB December Pool Return Outlook (PRO). However, protein premiums are expected to rise and pool returns for No.1 CWRS with 13.5% protein are expected to decrease by only \$31/t, to \$255/t I/S VC/SL. Pool returns for No.1 Canada Western Amber Durum 11.5% protein are forecast by AAFC at \$250/t I/S VC/SL, compared to the 2002-2003 CWB PRO of \$287/t. The durum premium over spring wheat is projected at \$15/t, compared to \$4/t in 2002-2003.

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COARSE GRAINS

World production of coarse grains is expected to increase by 4% due to increased corn production in the US, as well as

increased production of barley in Canada and Australia. Supply is expected to increase marginally as higher production is partially offset by lower carry-in stocks. World **consumption** is forecast to increase due to increased supplies, continued strong livestock feed demand, lower wheat feeding, and increased use of corn for ethanol production.

For **US corn, area seeded** is expected to increase from 2002-2003. **Production** is expected to increase by 15%, to 10.4 billion bushels, as area seeded is expected to increase due to reasonably strong prices. The average yield is forecast at 140 bu/ac., considerably higher than the drought-related yield of 128 bu/ac. in 2002-2003. Lower carry-in stocks are expected to partially offset the increase in production, and **supplies** are expected to increase from 2002-2003. **Domestic use** is forecast to increase, as feed and industrial use is projected to expand, and ethanol production is expected to continue to grow as new plants begin production. **Exports** are forecast to increase from 2002-2003 due to increased supplies, although competition from China is expected to remain strong as they still possess large

WORLD: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

	Area (Mha)	Yield (t/ha)	Production	Total Supply	Trade	Use	Carry-out Stocks	Stocks-to- use Ratio	World Prices ^{1/}
				..... million tonnes				(%)	(US\$/t)
WHEAT									
1999-2000	216	2.71	586	792	113	585	207	35	110
2000-2001	219	2.66	584	791	103	587	204	35	127
2001-2002	215	2.69	579	784	110	585	199	34	127
2002-2003e	213	2.66	568	766	106	596	172	29	170-180
2003-2004f	219	2.74	600	772	105	595	178	29	130-150
COARSE GRAINS									
1999-2000	300	2.92	877	1,092	104	882	210	23	88
2000-2001	297	2.90	860	1,070	103	881	189	21	91
2001-2002	300	2.96	888	1,076	102	902	174	19	94
2002-2003e	296	2.91	860	1,035	100	891	144	16	105-115
2003-2004f	301	2.97	897	1,041	101	900	141	16	90-110
OILSEEDS ^{2/}									
1999-2000	191	1.60	306	338	65	304	35	10	174
2000-2001	188	1.65	315	350	74	314	36	11	175
2001-2002	193	1.68	325	360	73	323	37	11	175
2002-2003e	195	1.65	324	361	74	327	34	10	195-205
2003-2004f	199	1.69	338	372	75	337	35	10	180-200

Note: numbers may not add due to rounding

^{1/} Wheat: Hard Winter Ordinary, US Gulf; June-May crop year.

Coarse Grains: US Gulf No.3 Yellow Corn; September-August crop year.

Oilseeds: Chicago Cash No.1 Yellow Soybeans; September-August crop year.

^{2/} The 8 major oilseeds are soybeans, cottonseed, peanuts (whole), sunflowerseed, canola/rapeseed, copra, palm kernels and flaxseed.

e: estimate; USDA (FAS)-January 2003 and AAFC; f: forecast, AAFC, January 2003.

Source: USDA, Oil World

stockpiles of corn. **Carry-out stocks** are expected to increase, with the stocks-to-use ratio increasing from 9% to 13%. Program payments under the FSRIA are expected to support corn production in 2003-2004, although farm prices are expected to be above the loan rate of US\$1.98/bu.

In **China**, **corn production** is forecast to remain similar to 2002-2003, at 125 Mt.

Total supply is expected to decrease as a result of lower carry-in stocks, which have gradually been reduced over the past few years. However, carry-in stocks remain very large and will allow China to continue to be a major player in Asian export markets.

Domestic use is forecast to increase as a result of increased livestock production, consistent with the trend of the past several years. China's corn **exports** are forecast to remain similar to 2002-2003, as China has been able to continue its export program despite earlier thoughts that China would have difficulty being competitive in the export market after joining the World Trade Organization and eliminating subsidies.

Carry-out stocks are forecast to continue to decline but remain large, falling by 9 Mt to about 49 Mt in 2003-2004.

World **barley production** is expected to be 7% higher than 2002-2003, mainly due to increased production in Canada and Australia. Both countries are forecast to achieve higher yields and have slightly increased area seeded, as they recover from drought and begin to rebuild stocks. Russia and Ukraine are also expected to compete with the EU in export markets, however, it is uncertain whether those two Baltic countries will be able to sustain the high levels of production they observed over the past two years, when very good growing conditions were received. **Demand** is expected to remain stable, with the increase in production allowing for increased feed consumption. **Carry-out stocks** are expected to rise as a result of the significant increase in production.

In the **EU**, **barley production** is expected to increase slightly from 2002-2003 to 49 Mt, due to a slight increase in seeded area. Good returns for malting barley are expected to support area seeded to barley, but a factor that may have offset some of this support for barley area in the EU has been Black Sea feed barley and feed wheat production. Exports from the Black Sea have been competitive into traditional EU markets and may discourage some EU farmers from planting the crop. Weather conditions in the

spring may be a factor in determining how much barley is planted to spring varieties. Higher **carry-in stocks**, and steady to higher barley production is forecast to result in increased **supplies**. Domestic consumption is projected to increase due to reduced supplies of feed wheat, while **exports** face increased competition from Australia as well as Canada, especially in malting barley markets. **Carry-out stocks** are forecast to remain near 2002-2003 levels. EU barley subsidies are not expected to play a major role in the world barley market in 2003-2004.

In **Australia**, the supply of **barley** is expected to increase sharply from 2002-2003 as that country recovers from drought, and it is forecast to pressure malting barley prices as it enters the market.

PRICES

The average **farm price of US corn** is forecast to decrease to about US\$2.10/bu, compared to the current United States Department of Agriculture forecast of US\$2.35/bu for 2002-2003. The nearby Chicago futures price is expected to decrease to US\$2.25/bu from US\$2.50/bu expected for 2002-2003. This will cause **US Gulf and Pacific Northwest (PNW)** corn prices to decrease and pressure international coarse grain prices, including feed barley. The average **US PNW feed barley** price is forecast to decrease from US\$125/t in 2002-2003 to US\$115/t in 2003-2004.

The average LDP to-date on corn for 2002-2003 has decreased to US\$0.08/bu on 0.02% of the crop from US\$0.15/bu for 2001-2002 on 78% of the crop. For 2003-2004, LDP are expected to increase due to lower market prices.

CANADA

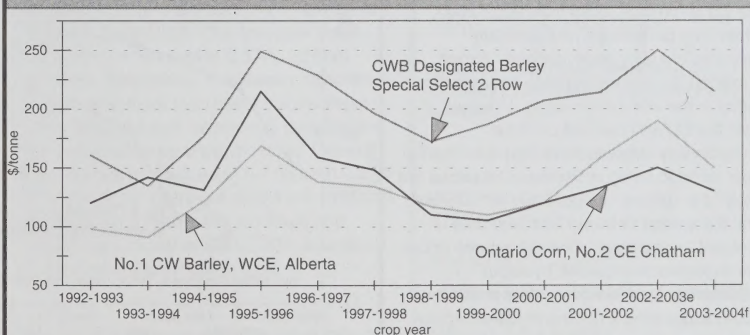
Production of coarse grains is forecast to increase due to higher yields and increased area seeded. Production of coarse grains is expected to be particularly attractive in Alberta, and also in Saskatchewan. The shortage of hay, dry soil conditions in Alberta, relatively low input costs, drought tolerance of coarse grains, and the competitive prices, all are factors that support coarse grain production in those provinces.

Supplies are forecast to increase by 13% despite a 17% decrease in carry-in stocks.

Net exports are forecast to increase significantly as barley exports increase and corn imports fall due to higher barley production.

For **barley**, **Canadian production** is forecast to increase significantly. Farmers are forecast to increase seeded area by 3% due to the strong demand for feed and forage, concerns that the soil may remain dry, and strong prices for two-row malting barley. Average yields and the percentage that is harvested for grain are expected to increase considerably. The amount of barley that is harvested for fodder is expected to be well above historical percentages, but not nearly as high as in 2002-2003 when drought devastated crops and left many farmers few options. Average yields are expected to increase by 14%, but remain below trend due to the dry soil conditions. **Supply** is expected to increase by about 50% from 2002-2003 to 14 Mt, despite lower carry-in stocks. **Domestic use** of feed barley is expected to rise as a result of the increased supplies and higher feed demand, with hog production forecast to continue to increase, and cattle inventories expected to begin to rebuild. Imports of US corn are forecast to fall to historical levels, with Manitoba being

CANADA: BARLEY AND CORN PRICES



c: estimate, USDA, December 2002; f: forecast, AAFC, January 2003
Source: Canadian Wheat Board, Ontario Corn Producers Association, and Winnipeg Commodity Exchange

the only western province forecast to import noteworthy amounts of corn. **Exports** of feed barley are projected to be insignificant, due to strong domestic demand and competitive offshore markets. Exports of malting barley are expected to increase to normal levels as a result of the increased production and improved quality. **Carry-out stocks** are expected to increase, from 1.3 Mt to 2.0 Mt as production is projected to exceed consumption.

Off-Board feed barley prices are forecast at \$135-165/t (l/s Lethbridge), versus \$175-205/t for 2002-2003, as the increase in domestic supplies pressures prices. The CWB final pool return for 2003-2004 for **No.1 CW feed barley** is forecast by AAFC to decrease by \$17/t from the December 2002 PRO to \$165/t l/s VC/SL. The pool return for **Special Select Two-Row designated barley** is forecast to decrease from 2002-2003, to \$200-230/t, due to increased world supplies, but remain strong until mid-way through the marketing year when exports to offshore markets are pressured by the availability of Australian new crop supplies. The premium for two-row malting barley over six-row is expected to remain similar to 2002-2003, consistent with the historical spread.

For **oats**, Canadian **production** is forecast to increase sharply from 2002-2003. **Exports** are forecast to increase considerably as a result of the increase in production and improved quality, and **carry-out stocks** are projected to increase from the record low of 2002-2003. **Oat prices** are expected to decline sharply from current levels, with Canadian oats filling requirements by mills in Canada and the US, preventing EU oats from entering those markets. US production is expected to continue to decline, consistent with the long term trend, as relatively strong returns for soybeans and corn are expected to draw area away from oats. Production in the EU is forecast to fall from 2002-2003, when very good crops and generally favourable quality were attained. Export subsidies are not expected to be a significant factor in the world oat market. However, if both the EU and Canada produce exceptionally large crops of oats then the EU may resort to using subsidies. Oat prices are likely to be priced competitively with US corn and the spread between corn and oats is forecast to decrease. Chicago futures prices are expected to decrease by about US\$0.60/bu to US\$1.20-1.60/bu in 2003-2004, suggesting a decline in Canadian on-farm prices of about a dollar a bushel in most parts of the prairies.

For **corn**, Canadian **production** is forecast to be marginally lower than in 2002-2003. Area seeded to corn is expected to fall because area seeded to winter wheat in Ontario increased dramatically. Yields are expected to increase from 2002-2003, when hot and dry conditions were reported in localized parts of eastern Canada. **Imports** into eastern Canada are forecast to remain strong at about 1.5 Mt, while imports into western Canada are expected to fall dramatically to about 0.5 Mt, as increased supplies of wheat and barley are forecast to reduce the need for corn imports. However, some corn imports are expected since the commodity is used in hog feed rations. **Exports** are expected to decline marginally, as demand from the US is forecast to fall. **Domestic use** is forecast to decrease since lower use in western Canada is forecast to more than offset increased use in eastern Canada. The **Chatham elevator corn price** is expected to decline slightly to \$115-145/t, based on weaker US corn prices. The Chatham-Chicago basis is forecast to remain similar to 2002-2003 based on projections for continued strong demand for imports in eastern Canada.

For **rye**, **production** is forecast to increase dramatically. Increased area, combined with higher yields and an increase in the percentage harvested for grain, is expected to result in production of about 0.37 Mt, compared with 0.13 Mt in 2002-2003. **Feed use, industrial use and exports**, are forecast to increase due to increased supplies. **Prices** for rye are expected to decline considerably based on lower prices for all coarse grains. In general, rye is forecast to be priced competitively with other coarse grains based on its feed value, however, some premiums are expected to be offered for rye in Manitoba, and perhaps

Alberta, to attract quality supplies for the food market.

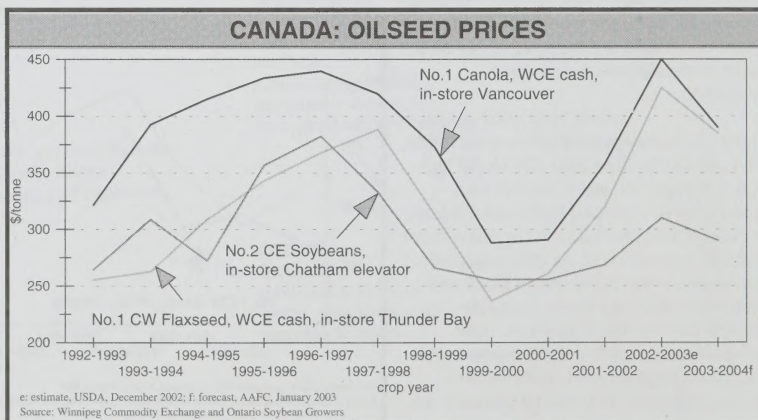
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OILSEEDS

World **production** of the eight major oilseeds is forecast to increase to a record 338 Mt in 2003-2004. This is due largely to higher soybean plantings in South America, and higher yields in North America and Australia, as these areas recover from the 2002-2003 drought. Oilseed **use** is forecast at a record 337 Mt, as vegoil consumption in China, India and the FSU-12 continues to increase. **Trade** is expected to increase marginally, to 75 Mt, and **carry-out stocks** are forecast at 35 Mt, up from 34 Mt in 2002-2003.

World **soybean production** is forecast to increase to 198 Mt from 191 Mt expected from 2002-2003, as Brazil, Argentina and Paraguay, continue to increase the area seeded to soybeans, to be harvested in May 2004. For the first time, the combined soybean production of Brazil and Argentina is expected to exceed that of the US. The devaluation of the Brazilian *real* and the Argentine *peso* has enabled these countries to compete more effectively in the export markets for soybeans. In the US, production is expected to increase slightly as higher yields more than offset the decrease in area seeded caused by the lower loan rate for soybeans under the FSRIA. Despite, lower carry-in stocks, US soybeans supplies are



expected to increase which will pressure prices downward.

World **soybean crush** is forecast at a record 170 Mt, as Brazil and Argentina continue to expand processing capacity as domestic policies continue to encourage value-added activities. China's soybean crush, forecast at 24 Mt for 2003-2004, has doubled during the past five years and, at the current rate of expansion, could double again within a few years. World soybean **carry-out stocks** are forecast to increase slightly to 31 Mt.

World **canola/rapeseed production** is forecast to increase by 12%, to 36 Mt, following a year during which crop yields in Canada and Australia were decimated by record drought conditions. Less-than-favourable weather conditions also affected rapeseed yields and quality in some regions of the EU. Area seeded to canola/rapeseed is projected to increase due to higher prices in 2001-2002, as buyers continue to compete for limited supplies of canola/rapeseed.

World **canola/rapeseed crush** is forecast at 34 Mt, up from 30 Mt in 2002-2003 due to increased production. Carry-out stocks are forecast at 2.5 Mt, up from 1.4 Mt in 2002-2003.

World **flaxseed** production is forecast to increase marginally as farmers plant more flaxseed in response to favourable prices. In Canada, which is the single largest producer and exporter of flaxseed, yields are also expected to return to normal levels.

PROTEIN MEAL AND EDIBLE OIL

Soymeal production, which represents 70% of world protein meal production, is forecast at 134 Mt, up from 131 Mt in 2002-2003, due to higher crush in the US, Brazil, Argentina and China. **Demand** for soymeal is expected to be stable as a ban on animal meal in livestock rations remains in the EU, which is an important export market for protein meal. However, increased soymeal production will pressure **prices**.

Edible oil production is forecast to increase to 94 Mt, up from 92 Mt in 2002-2003, due to a combination of slightly higher palmoil production and increased crushing of soybeans and canola/rapeseed. **Demand** for edible oils is expected to remain strong,

particularly in major vegoil consuming countries such as China and India. China's demand for vegoil is likely to be satisfied internally with increased oilseed crushing and higher imports of oilseeds. **Palmoil** production in Malaysia has peaked in terms of year-to-year increases, supplies are expected to be less burdensome, which will be supportive for vegoil **prices**.

US PRICES

Higher **US soybean** carry-out stocks are expected to pressure oilseed prices, from an estimated average farm price of US\$5.45/bu for soybeans in 2002-2003, to US\$5.10/bu in 2003-2004. As well, **soymeal** prices are forecast to average US\$155/short ton (st), down from US\$170/st. World vegoil prices are expected to remain strong, with **US soyoil** prices forecast to average US\$0.22 per pound (lb), similar to 2002-2003.

The average LDP on soybeans to date for 2002-2003 has been US\$0.07/bu on 8% of the crop compared to US\$1.23/bu on 89% of the crop for 2001-2002. Due to lower farm prices, LDP are expected to increase in 2003-2004.

CANADA

For **canola**, seeded area is forecast to increase by 12% to 4.4 Mha due to high prices in 2002-2003. Increased production, forecast at 5.8 Mt from 3.6 Mt in 2002-2003, is forecast to more than offset the decrease in carry-in stocks, and supplies are expected to increase. Domestic crush and exports are expected to increase significantly due to the increased supplies. Carry-out stocks are expected to increase and prices are forecast at \$375-405/t, down from \$450/t expected for 2002-2003.

For **flaxseed**, seeded area is forecast to increase by 5% to 0.7 Mha due to attractive prices in 2002-2003. Due to higher yields, production is forecast at 0.9 Mt, up from 0.7 Mt in 2002-2003. Increased production is expected to more than offset the decrease in carry-in stocks and, as a result, supplies are expected to increase significantly. Exports are forecast to increase to 0.7 Mt from 0.6 Mt in 2002-2003. Carry-out stocks are expected to remain at a historically low level, and prices are forecast at \$370-400/t, down from \$425/t expected for 2002-2003.

For **soybeans**, seeded area is forecast to decrease due largely to increased winter wheat plantings in Ontario. However, normal yields are expected to more than offset lower seeded area and soybean production is forecast at 2.8 Mt, up from 2.3 Mt in 2002-2003. Supplies are expected to increase modestly due to lower imports, and exports are expected to increase to 0.7 Mt, from 0.5 Mt in 2002-2003. Domestic processing is forecast to remain stable because of ample supplies and reasonable crush margins. Prices are expected to decline to \$295-325/t, I/S Chatham, from \$310/t expected for 2002-2003, largely due to lower US soybean prices.

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US AND CANADA: TOTAL SUPPLY AND DISPOSITION FOR MAJOR CLASSES OF DRY BEANS

	2000 -2001	2001 -2002	2002 -2003	2003 -2004	2004 -2005f	2000 -2001	2001 -2002	2002 -2003	2003 -2004	2004 -2005f	
	thousand tonnes					thousand tonnes					
WHITE PEA											
Carry-in Stocks	147	117	47	138	55						
Production	326	220	442	251	169						
Total Supply	473	337	489	389	224						
Use	356	290	351	334	214						
Carry-out Stocks	117	47	138	55	10						
Average Producer Price*	\$/t	375									
	\$/lb	0.170	0.280	0.165	0.210	0.290					
LIGHT RED KIDNEY											
Carry-in Stocks											
Production											
Total Supply											
Use											
Carry-out Stocks											
Average Producer Price*											
SMALL RED											
Carry-in Stocks											
Production											
Total Supply											
Use											
Carry-out Stocks											
Average Producer Price*											
DARK RED KIDNEY											
Carry-in Stocks											
Production											
Total Supply											
Use											
Carry-out Stocks											
Average Producer Price*											
CRANBERRY											
Carry-in Stocks											
Production											
Total Supply											
Use											
Carry-out Stocks											
Average Producer Price*											
PINK											
Carry-in Stocks											
Production											
Total Supply											
Use											
Carry-out Stocks											
Average Producer Price*											
BLACK											
Carry-in Stocks											
Production											
Total Supply											
Use											
Carry-out Stocks											
Average Producer Price*											
CRANBERRY											
Carry-in Stocks											
Production											
Total Supply											
Use											
Carry-out Stocks											
Average Producer Price*											
BLACK											
Carry-in Stocks											
Production											
Total Supply											
Use											
Carry-out Stocks											
Average Producer Price*											

* Manitoba spot price, No.1 Canada grade

f: forecast, AAFC, December 2004

Source: USDA, Statistics Canada, US Dry Bean Convention, other industry reports and AAFC estimates

CLASSES OF DRY BEANS PRODUCED IN CANADA

WHITE PEA (*also known as navy and alubias chica*)

- produced in Manitoba and Ontario
- small white oval beans used mainly for canning and dry packaging
- seeds/100 grams (g): 450-525
- mainly canned in tomato sauce; also used in soups, stews, pork and beans, baked bean dishes, salads and purees
- main export destinations are: UK, other EU, US

PINTO

- produced mainly in Manitoba, Saskatchewan and Alberta
- medium oval beans, with white to beige background and brown mottled flecks
- seeds/100 g: 260-300
- used for refried beans and dry packaging, a favourite for Mexican and South American dishes; beans turn solid pink when cooked
- main export destinations are: Central America and Caribbean, South America, Angola

BLACK (*black turtle, preto*)

- medium black oval beans produced mainly in Manitoba and Ontario
- seeds/100 g: 500-550
- used for canning and dry packaging
- popular in Caribbean, Mexican and South American cuisine, traditional in soups, black beans and rice, stews and sauces; adds colour to salads
- main export destinations are: Central America and Caribbean, South America, US

LIGHT RED KIDNEY

- produced mainly in Ontario and Manitoba
- kidney shaped, brownish red in colour
- seeds/100 g: 170-220
- used for canning and dry packaging
- used in salads, casseroles, red beans and rice, chili and Mexican cuisine
- main export destinations are: EU, the Middle East, Central America and Caribbean, South America

DARK RED KIDNEY

- produced mainly in Ontario and Manitoba
- kidney shaped, dark red in colour
- seeds/100 g: 150-200
- used for canning and dry packaging
- favoured bean for making New Orleans red bean dish, soups, casseroles and chili
- main export destinations are: EU, US

SMALL RED (*red Mexican*)

- produced mainly in Alberta and Manitoba
- dark red beans
- seeds/100 gm: 275-330
- used for canning and dry packaging
- adds sparkle to bean salads; can be used in any coloured bean recipe including soups, salads, chili and Creole dishes
- main export destinations are: Central America and Caribbean, South America, US

AZUKI

- small red bean
- produced in Ontario
- sweet red bean paste
- exported to Japan

GREAT NORTHERN (*large white*)

- produced mainly in Alberta and Manitoba
- medium white oval beans
- seeds/100 g: 280-330
- a frequent choice for soups, stews, casseroles, baked dishes and mixing with other varieties
- used for dry packaging
- main export destinations are: Northern Africa, the Middle East, EU

PINK

- produced mainly in Alberta and Manitoba
- pinkish beige beans
- seeds/100 g: 330-400
- used for refried beans and dry packaging
- popular in barbecue style dishes, chili, soups, salads and casseroles
- main export destinations are: Central America and Caribbean, South America, US

BROWN (*dutch brown*)

- produced in Ontario and Manitoba
- tan in colour, with a white hilum
- seeds/100 g: 300-350
- used for canning and dry packaging
- main export destination is: Netherlands

WHITE KIDNEY (*Cannellini, alubia type*)

- flat white bean
- produced in Ontario
- seeds/100 g: 150-200
- used for canning and dry packaging
- make a perfect low fat base for dips and spreads
- main export destination is: EU

CRANBERRY (*romano, speckled sugar*)

- produced in Ontario, Quebec and Manitoba
- burgundy mottled beans with a white to buff seed coat
- seeds/100 g: 145-225
- used for dry packaging & canning; in soups, stews, chili & salads
- a favourite for Italian cuisine
- main export destinations are: UK, Central America and Caribbean, South America

KINTOKI

- red bean
- produced in Ontario
- exported to Japan
- consumed whole as sweetened cooked beans

OTEBE

- white bean
- produced in Ontario
- sweet white bean paste
- exported to Japan



CANADA: GRAINS AND OILSEEDS OUTLOOK

JANUARY 10, 2003

Total production of grains and oilseeds decreased by 17% from 2001-02 to 41.9 million tonnes (Mt) according to Statistics Canada's (STC) November production estimates. In western Canada, due to one of the worst droughts on record across the central and northern regions of Saskatchewan and Alberta, crop abandonment was sharply higher, and average yields were significantly lower than normal. Rains and freezing temperatures delayed the harvest and downgraded crop quality. In Alberta and Saskatchewan, a small portion of the crop has not been harvested to-date. In eastern Canada, which had a normal growing season with adequate precipitation and average yields, corn and soybean production increased significantly from last year. Total carry-in stocks of all grains and oilseeds in Canada for 2002-03 are also below 2001-02 and domestic supplies are significantly below last year. Wheat exports are projected to fall to the lowest level in almost half a century and exports to the US are projected by AAFC to decline sharply from 2001-02 due to the small size and poor quality of this year's crop. Corn imports, from the US, are forecast to increase to a record high level. Total exports of grains and oilseeds are forecast to fall to a modern-day low of about 15 Mt, as lower exports of wheat, durum, barley, oats, canola and flaxseed more than offset higher exports of corn and soybeans, and Canada has to ration supplies to traditional customers.

Canadian and world grain and oilseed prices have increased substantially from a year ago, and are expected to average significantly higher than 2001-02, due mainly to lower US and world ending stocks. The major factors to watch are: the condition of the US winter wheat crop, the aggressiveness of the EU with export subsidies, the ability of the non-traditional exporters to maintain high exports of wheat, soybean growing conditions in South America and the Canada/US exchange rate.

WHEAT (ex-durum)

Production for 2002-03, as estimated by STC fell by 32% as to 12.0 Mt, the lowest since 1970-71. Imports are currently projected at a record 0.2 Mt, due to imports of feed wheat into eastern Canada. Total supplies are 30% below 2001-02, at 17.1 Mt. Exports are projected to fall by over 50%, to only 6.2 Mt, the lowest since 1954-55. Feed use is expected to increase due to the poor quality of the crop. Carry-out stocks are forecast to fall by 28% from 2001-02, to 3.5 Mt, the lowest in over 40 years. The Canadian Wheat Board (CWB) December Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$283/t, in-store Vancouver/St. Lawrence (I/S VC/SL), vs. the final realized price of \$207.16/t for 2001-02. Ontario winter wheat production is up by 8%, at 1.14 Mt, due to lower abandonment and good yields. The Ontario Wheat Producers' Marketing Board's projected pool returns for No.1 CEWW wheat are \$185-195/t, terminal or processor position, vs. \$139/t in 2001-02.

DURUM

Production was less affected by the 2002 drought, as it is concentrated in the southern Prairies, where precipitation was more adequate. Production is up by 24% from the drought-reduced 2001-02 crop, at 3.7 Mt, but remains well below the 5-year average of 4.7 Mt. Supplies are 9% lower than in 2001-02 due to a 43% drop in carry-in stocks. Exports are forecast to decline by 6%, to 3.4 Mt. Carry-out stocks are projected to fall by 48%, to 0.85 Mt, vs. the 5-year average of 1.8 Mt. The CWB PRO for No.1 CWAD 11.5% protein is \$287/t, I/S VC/SL, vs. the final realized price of \$260.43/t for 2001-02. The PRO for No. 1 CWAD 11.5% protein is \$4/t above that for No.1 CWRS 11.5% protein vs. \$53/t in 2001-02.

BARLEY

Production decreased by 33% to 7.3 Mt, the lowest level since 1968. Average yields are the lowest since 1975 and the unharvested area is the highest on record due to widespread crop failure and a shortage of fodder. Feed use is expected to decline due to lower supplies. Malting barley exports are forecast to fall to a ten year low due to low supplies, poor quality and high feed grain prices. Feed barley exports are projected to be negligible. Carry-out stocks are forecast to decline to the lowest level in modern times. Off-Board feed barley prices are expected to remain strong, near current levels. The CWB PRO for No.1 CW Feed Barley is \$182/t vs. the final realized price of \$180/t for 2001-02 and the PRO for Special Select Two Row Designated Barley is \$252/t vs. the final realized price of \$210.74/t for 2001-02.

OATS

Production increased by 2% from 2001-02 due to higher seeded area. However, the unharvested area reached the highest level on record due to strong demand for fodder and widespread crop failure. Supplies have decreased because of lower carry-in stocks. Exports are forecast to decline due to lower supplies and increased competition from the EU. Carry-out stocks are expected to remain very low and the average price is forecast to be similar to 2001-02, at \$190-220/t.

CORN

Production increased by 8% from 2001-02. Imports from the US are forecast to set a new record due to the shortage of barley in western Canada. Imports into western Canada are projected to increase sharply to 3.3 Mt, while imports into eastern Canada are forecast to remain strong at 1.3 Mt. Feed use is expected to rise, especially in western Canada. The average Chatham corn price is forecast to increase to \$135-165/t due to higher US corn prices.

CANOLA

Production decreased by 27% from 2001-02, to 3.6 Mt. Despite higher carry-in stocks, domestic supplies fell by 20%. Exports are forecast to decline by 9% to 2.3 Mt. Domestic crush is expected to fall by 13% to 2.0 Mt, the lowest level since 1992-93. Carry-out stocks are forecast to fall to a historically low level. The average price is expected to rise sharply from 2001-02 to \$435-465/t (cash, I/S VC), due to higher world vegoil prices and lower canola supplies.

FLAXSEED (excluding solin)

Production decreased by 5%, but domestic supplies are forecast to decrease by 11% due to sharply lower carry-in stocks. Domestic use and exports are both expected to decrease slightly. Carry-out stocks are expected to decline considerably and the average price is expected to increase to \$410-440/t.

SOYBEANS

Production increased sharply to 2.3 Mt, as yields increased from the historically low level of 2001-02. Domestic supplies are expected to increase significantly and exports are expected to increase, while imports decrease. Domestic crush is projected to remain near the full capacity level. The average Chatham soybean price is forecast to increase to \$295-325/t, largely due to higher US soybean prices.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

JANUARY 10, 2003

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use	Feed, Waste & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----											
Durum											
2001-2002	2,036	1.47	2,987	12	5,871	3,628	246	131	615	1,629	260.43
2002-2003f	2,165	1.72	3,714	10	5,353	3,400	250	523	1,003	950	287*
2002-2004f	2,390	2.08	4,970	10	5,930	3,500	250	560	1,030	1,400	250
Wheat Except Durum											
2001-2002	8,550	2.06	17,581	85	24,452	12,579	2,826	3,401	7,014	4,859	207.16
2002-2003f	6,428	1.86	11,976	225	17,060	6,200	2,825	3,690	7,360	3,500	283*
2002-2004f	8,505	2.44	20,790	150	24,440	12,200	2,875	3,510	7,240	5,000	235
All Wheat											
2001-2002	10,585	1.94	20,568	97	30,323	16,207	3,073	3,532	7,628	6,488	
2002-2003f	8,593	1.83	15,690	235	22,413	9,600	3,075	4,213	8,363	4,450	
2002-2004f	10,895	2.36	25,760	160	30,370	15,700	3,125	4,070	8,270	6,400	
Barley											
2001-2002	4,150	2.61	10,846	112	13,473	1,758	307	8,967	9,723	1,993	158.60
2002-2003f	3,267	2.23	7,283	250	9,526	800	300	6,671	7,426	1,300	175-205
2002-2004f	4,380	2.95	12,915	40	14,255	2,200	300	9,300	10,055	2,000	135-165
Corn											
2001-2002	1,267	6.62	8,389	3,882	13,151	190	2,285	9,585	11,905	1,056	132.90
2002-2003f	1,288	7.04	9,065	4,600	14,721	400	2,425	10,811	13,121	1,200	135-165
2002-2004f	1,250	7.24	9,055	2,000	12,255	300	2,600	8,145	10,780	1,175	115-145
Oats											
2001-2002	1,238	2.17	2,691	53	3,598	1,430	129	1,467	1,803	365	202.28
2002-2003f	1,298	2.12	2,749	15	3,128	1,250	150	1,160	1,528	350	190-220
2002-2004f	1,590	2.35	3,740	5	4,095	1,675	150	1,561	1,920	500	125-155
Rye											
2001-2002	123	1.85	228	4	309	62	39	144	198	49	
2002-2003f	77	1.74	134	5	188	45	38	57	113	30	
2002-2004f	167	2.19	365	5	400	85	67	150	235	80	
Mixed Grains											
2001-2002	159	2.80	447	0	447	0	0	447	447	0	
2002-2003f	132	2.72	359	0	359	0	0	359	359	0	
2002-2004f	165	2.82	465	0	465	0	0	465	465	0	
Total Coarse Grains											
2001-2002	6,937	3.26	22,600	4,051	30,977	3,439	2,760	20,609	24,076	3,462	
2002-2003f	6,062	3.23	19,589	4,870	27,922	2,495	2,913	19,058	22,547	2,880	
2002-2004f	7,552	3.51	26,540	2,050	31,470	4,260	3,117	19,621	23,455	3,755	
Canola											
2001-2002	3,765	1.31	4,926	226	6,240	2,524	2,293	176	2,502	1,215	357.45
2002-2003f	2,857	1.25	3,577	150	4,942	2,300	2,000	197	2,242	400	435-465
2002-2004f	4,225	1.37	5,780	100	6,280	2,750	2,500	335	2,880	650	375-405
Flaxseed excluding Solin											
2001-2002	662	1.08	715	24	998	618	n/a	n/a	191	189	319.77
2002-2003f	633	1.07	679	25	893	600	n/a	n/a	173	120	410-440
2002-2004f	711	1.26	895	15	1,030	700	n/a	n/a	190	140	370-400
Soybeans											
2001-2002	1,069	1.53	1,635	982	2,803	489	n/a	n/a	2,141	172	269.01
2002-2003f	1,024	2.28	2,335	400	2,907	500	n/a	n/a	2,217	190	295-325
2002-2004f	1,038	2.65	2,755	200	3,145	700	n/a	n/a	2,230	215	275-305
Total Oilseeds											
2001-2002	5,495	1.32	7,277	1,233	10,041	3,632	n/a	n/a	4,834	1,576	
2002-2003f	4,514	1.46	6,591	575	8,742	3,400	n/a	n/a	4,632	710	
2002-2004f	5,974	1.58	9,430	315	10,455	4,150	n/a	n/a	5,300	1,005	
Total Grains And Oilseeds											
2001-2002	23,018	2.19	50,444	5,381	71,341	23,277	n/a	n/a	36,538	11,526	
2002-2003f	19,169	2.18	41,871	5,680	59,077	15,495	n/a	n/a	35,542	8,040	
2002-2004f	24,421	2.53	61,730	2,525	72,295	24,110	n/a	n/a	37,025	11,160	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use. **For flaxseed and soybeans, food/industrial use and feed/waste/dockage are included in the total domestic use, but are not listed due to data confidentiality.**

(e) Crop year average prices: No. 1 CWRS and No. 1 CWAD (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No. 2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* December 2002 CWB Pool Return Outlook (PRO). Prices for No. 1 CWRS and No. 1 CWAD with 11.5% protein for 2000-01 to 2002-03.

This is comparable to prices for previous years, as protein premiums have been expanded to include all wheat and durum with 11% or more protein.

f: forecast, Agriculture and Agri-Food Canada, January 10, 2003

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

JANUARY 10, 2003

For 2002-03, total production of pulse and special crops in Canada decreased by 25% to 2.77 million tonnes (Mt), largely because of drought in central and northern regions of Saskatchewan and Alberta. The average quality of the dry pea, lentil, chick pea, mustard seed and sunflower seed crops was lower than normal because of significant damage from frost, rain and disease. Despite lower exports and domestic use, carry-out stocks are expected to fall sharply. Average prices, compared to 2001-02, are forecast to increase for most crops, but decrease for dry beans and chick peas.

For 2003-04, total area seeded to special crops in Canada is forecast to decrease by 4% because net returns for some pulse and special crops are expected to be lower than for competing crops and because of expected shortages of seed for some crops. It is assumed that precipitation will be normal for the winter, spring and summer. However for Western Canada, due to the current dry conditions in many areas, yields are forecast to be below trend but, in general, significantly higher than in 2002-03. For Eastern Canada, trend yields are assumed. It has been assumed that the abandonment rate will return to normal and an increased portion of the area seeded will be harvested. It has also been assumed that the average quality will return to normal. Total Canadian production is forecast to increase by 50% to 4.16 Mt. Total supply is expected to increase by 28% to 4.5 Mt. Exports and domestic use are forecast to increase in line with the higher supplies. Carry-out stocks are expected to remain low. Average prices, compared to 2002-03, are forecast to decrease for most crops, but increase for dry beans and chick peas. However, prices are expected to be very sensitive to any production problems due to low world carry-in stocks for most crops. The main factor to watch will be precipitation during the rest of the winter and, especially, during the spring in Western Canada. If the dry conditions persist in parts of Western Canada, the seeded area for small seed crops, such as mustard seed and canary seed, could be lower than forecast.

DRY PEAS

For 2002-03, due to lower production and total supply, Canadian exports are forecast to decrease. The average price is forecast to increase, compared to 2001-02, as carry-out stocks decrease to a low level.

For 2003-04, the area seeded is forecast to be similar to 2002-03. Production and total supply are forecast to increase significantly due to expected higher yields and lower abandonment. Total world supply is expected to increase by 13% to 10.8 Mt because of higher production in Canada, the EU and Australia, but this is expected to be mostly offset by increased use. Carry-out stocks in Canada are forecast to remain low. The average price, compared to 2002-03, over all types, grades and markets, is forecast to decrease.

LENTILS

For 2002-03, due to lower production and total supply, Canadian exports are forecast to decrease. Carry-out stocks are forecast to fall to a very low level and the average price is forecast to increase.

For 2003-04, the seeded area is forecast to be similar to 2002-03. Production and total supply are forecast to increase significantly due to expected higher yields and lower abandonment. Total world supply is forecast to increase by 5% to 3.4 Mt, due mainly to higher Canadian production. Canadian exports are expected to increase, as Canada's share of world supply increases. Carry-out stocks are forecast to increase slightly, but remain low. The average price, over all types and grades, is forecast to decrease.

DRY BEANS

For 2002-03, production and total supply increased significantly in Canada and the US. Canadian exports are forecast to increase because of higher supply and lower prices. Carry-out stocks are expected to increase, with a stocks-to-use (s/u) ratio of 15% and the average price is forecast to decrease.

For 2003-04, area seeded is forecast to decrease by about 25%. Production and total supply are

expected to decrease significantly. Production and total supply are also forecast to decrease in the US. Canadian exports are forecast to decrease due to the lower supply. Carry-out stocks are expected to decrease to a low level. The average price, over all classes and grades, is forecast to increase.

CHICK PEAS

For 2002-03, due to lower production and total supply, Canadian exports are forecast to decrease. Carry-out stocks are forecast to decrease to a low level. The average price is forecast to decrease because of lower average quality and a shift away from the production of the higher priced large kabuli type.

For 2003-04, the area seeded is forecast to decrease by about 30%, with a shift in production to the desi type due to the high risk of producing the kabuli type. Although production is expected to increase slightly, total supply is forecast to decrease sharply due to lower carry-in stocks. Total world supply is expected to increase slightly to 8.0 Mt. Canadian exports are forecast to decrease due to the decrease in supply. Carry-out stocks are expected to remain low. The average price, over all types, grades and sizes, is forecast to increase due to higher expected quality.

MUSTARD SEED

For 2002-03, due to lower total supply, exports are forecast to decrease. Carry-out stocks are expected to decrease to a very low level and the average price is forecast to be similar to 2001-02.

For 2003-04, area seeded is expected to be similar to 2002-03. Production and total supply are forecast to increase significantly due to expected higher yields and lower abandonment. Although exports are expected to rise, carry-out stocks are also forecast to increase, with a s/u ratio of 13%. The average price, over all types and grades, is expected to decrease.

CANARY SEED

For 2002-03, due to higher production and total supply, Canadian exports are forecast to increase.

Carry-out stocks are expected to decrease, with a s/u ratio of 15%. The average price is forecast to increase due to stronger demand.

For 2003-04, area seeded is expected to be similar to 2002-03. Production and total supply are forecast to increase significantly due to expected higher yields and lower abandonment. Total world supply is forecast to increase by 33% to 325,000 t. Canadian exports are expected to increase in line with the higher supply. Carry-out stocks are forecast to increase, with a s/u ratio of 28%. The average price is forecast to decrease.

SUNFLOWER SEED

For 2002-03, due to higher production and total supply, Canadian exports and domestic use are expected to increase. Carry-out stocks are forecast to decrease, with a s/u ratio of 11%. The average price is forecast to increase.

For 2003-04, area seeded is expected to decrease by about 10%. Production and total supply are also forecast to decrease. Total world supply is expected to increase by 4% to 24.8 Mt, due to higher production of the oilseed type. Canadian exports and domestic use are expected to decrease slightly. Carry-out stocks are forecast to decrease to a low level. The average price, over both types and all grades, is forecast to decrease because of higher world supply.

BUCKWHEAT

For 2002-03, exports are expected to decrease due to lower supply. The average price, over all grades and markets, is forecast to increase due to the lower supply.

For 2003-04, production is forecast to rise due to an expected return to normal abandonment. The average price is forecast to be similar to 2002-03.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

JANUARY 10, 2003

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----									
Dry Peas									
1999-2000	835	2.70	2,252	12	2,639	1,417	822	400	135
2000-2001	1,220	2.35	2,864	12	3,276	2,196	885	195	138
2001-2002	1,285	1.57	2,023	27	2,245	1,401	569	275	190
2002-2003f	1,050	1.30	1,365	30	1,670	1,000	570	100	205-235
2003-2004f	1,250	1.93	2,410	20	2,530	1,600	830	100	165-195
Lentils									
1999-2000	497	1.46	724	10	794	503	211	80	380
2000-2001	688	1.33	914	5	999	475	268	256	295
2001-2002	664	0.85	566	6	828	478	219	131	320
2002-2003f	387	0.91	354	5	490	330	150	10	385-415
2003-2004f	585	1.13	660	5	675	470	185	20	365-395
Dry Beans									
1999-2000	154	1.91	294	41	360	260	60	40	500
2000-2001	165	1.62	268	40	348	227	71	50	465
2001-2002	172	1.70	292	42	384	263	91	30	725
2002-2003f	215	1.89	407	20	457	290	107	60	485-515
2003-2004f	164	1.71	280	30	370	270	90	10	545-575
Chick Peas									
1999-2000	139	1.42	197	5	207	56	136	15	390
2000-2001	283	1.37	388	5	408	179	199	30	410
2001-2002	467	0.97	455	12	497	190	177	130	380
2002-2003f	154	1.01	156	10	296	175	106	15	335-365
2003-2004f	147	1.19	175	15	205	105	90	10	360-390
Mustard Seed									
1999-2000	273	1.12	306	1	357	170	72	115	285
2000-2001	208	0.97	202	1	318	151	62	105	280
2001-2002	158	0.66	105	3	213	170	10	33	685
2002-2003f	255	0.60	154	5	192	155	27	10	670-700
2003-2004f	282	0.87	245	1	256	170	56	30	430-460
Canary Seed									
1999-2000	146	1.14	166	0	276	157	29	90	240
2000-2001	164	1.04	171	0	261	170	21	70	265
2001-2002	164	0.70	114	0	184	134	20	30	660
2002-2003f	214	0.77	164	0	194	140	29	25	690-720
2003-2004f	265	0.92	245	0	270	160	50	60	360-390
Sunflower Seed									
1999-2000	79	1.54	122	19	145	49	55	41	295
2000-2001	69	1.72	119	18	178	77	55	46	320
2001-2002	67	1.55	104	30	180	92	66	22	355
2002-2003f	95	1.65	157	15	194	100	74	20	425-455
2003-2004f	85	1.59	135	20	175	95	70	10	395-425
Buckwheat									
1999-2000	13	1.00	13	1	16	8	7	1	305
2000-2001	15	0.93	14	1	16	9	7	0	305
2001-2002	14	1.14	16	1	17	8	8	1	325
2002-2003f	11	1.09	12	1	14	7	7	0	315-345
2003-2004f	12	1.08	13	1	14	7	7	0	315-345
Total Pulse And Special Crops (c)									
1999-2000	2,136	1.91	4,074	89	4,794	2,620	1,392	782	
2000-2001	2,812	1.76	4,940	82	5,804	3,484	1,568	752	
2001-2002	2,991	1.23	3,675	121	4,548	2,736	1,160	652	
2002-2003f	2,381	1.16	2,769	86	3,507	2,197	1,070	240	
2003-2004f	2,790	1.49	4,163	92	4,495	2,877	1,378	240	

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, January 10, 2003

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

As of Monday December 30, 2002

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL 48%	CANOLA MEAL	MILL FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver B.C.	This week	FOB	230.16	N/A	207.16	193.00		333.50	(7) 244.50	185.00	320.00	(4) 900.00	550.00				430.00
	Week ago		233.16	N/A	211.16	193.00		332.00	(7) 247.00	185.00	320.00	(4) 900.00	550.00				430.00
Calgary	This week	FOB	207.00	N/A	184.00	187.00		329.00	N/A		280.00	(4) 950.00	585.00				430.00
Alta	Week ago		210.00	N/A	188.00	184.00		324.50	N/A		280.00	(4) 950.00	585.00				430.00
Saskatoon	This week	FOB	183.25	230.00	175.50	180.00		322.50	235.00		280.00	(4) N/A	585.00		193.33		460.00
Sask.	Week ago		183.25	230.00	175.50	180.00		318.50	240.00		280.00	(4) N/A	585.00		193.33		460.00
Melfort	This week	FOB	N/A	N/A	N/A												
Sask.	Week ago		N/A	N/A	N/A												
Winnipeg	This week	FOB	181.00	(9)215.00	179.50	166.00		305.50	225.00		295.00	(4) 925.00	480.00				450.00
Man.	Week ago		183.50	(9)215.00	179.50	165.00		302.00	230.00		295.00	(4) 925.00	480.00				450.00
Thunder Bay Ont.	This week	In-store	(8)201.60	N/A	(8) 178.00												
	Week ago		(8)201.50	N/A	(8) 178.00												
Lake Ports USA	This week	On Board				159.15											
	Week ago	Vessel				157.22											
Bay Ports Ont.	This week	In-store	220.60	330.00	N/A												
	Week ago		222.50	320.00	N/A												
Chatham Ont.	This week	Track				166.43											
	Week ago					165.84											
Toronto Ont.	This week	N/A					FOB										
	Week ago																
Hamilton Ont.	This week	N/A					FOB	306.33	N/A								
	Week ago							301.70	N/A								
Eastern Ontario	This week	FOB				166.13											
	Week ago					166.00											
London Ont.	This week	FOB															
	Week ago																
Port Colborne Ont.	This week	FOB															
	Week ago																
Cardinal Ont.	This week	FOB															
	Week ago																
Montreal Que.	This week						FOB	326.01	262.24	163.33	287.00	(5) 850.00	463.00	480.00	169.00	268.00	370.00
	Week ago							323.71	260.88	165.83	287.00	(5) 850.00	463.00	480.00	169.00	268.00	370.00
Trois-Riv. Que.	This week	In-store	234.60		N/A	179.81											
	Week ago		232.50		N/A	176.86											
St-Jean Que.	This week	FOB	202.20	217.50	170.48	(2) 168.79											
St-Hyacinthe, Que.	Week ago		202.50	216.25	167.38	(2) 169.38											
Quebec Que.	This week	In-store	217.55		217.85	177.82	FOB	323.97									
	Week ago		226.50		218.25	180.02		321.51									
Truro N.S.	This week	Track	255.90	N/A	243.22	207.34	FOB	348.11	263.95								370.00
	Week ago		255.90	N/A	243.22	207.34		347.44	263.95								370.00
Truro N.S.	This week	Water	N/A	N/A	N/A	205.30											
	Week ago	& Truck	N/A	N/A	N/A	205.30											
Halifax N.S.	This week	In-store	N/A	N/A	N/A	196.30	FOB										
	Week ago		N/A	N/A	N/A	196.30											

Source: Economic and Industry Analysis Division, Market Research and Analysis Section; Contact: Hélène Ménard Tel: (514) 283-3815 (575) Fax: (514) 283-2754 N/A = not available US \$1.00=Cdn \$1.5789 as of December 30, 2002
Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No.1 Feed Oats, No.1 or 2 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Futures WCE (9) 3CW

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday December 30, 2002

PRAIRIE GRAINS

SELECTED POINT	PRICE BASIS		THIS WEEK	WEEK AGO		MONTH AGO	YEAR AGO
From: Thunder Bay 2	In-Store	WHEAT	201.60	201.50		188.50	169.70
CBOT		OATS	N/A	N/A		N/A	247.61
LETHBRIDGE		BARLEY	178.00	178.00		186.50	162.20
To: Bayports, Ont.	In-store	WHEAT	225.21	225.11	1.	212.11	192.80
		OATS	N/A	N/A	1.	N/A	N/A
		BARLEY	205.39	205.39	1.	213.89	189.35
Montreal, Que.	In-store	WHEAT	229.63	229.53	1.	216.53	197.55
		OATS	N/A	N/A	1.	N/A	N/A
		BARLEY	210.31	210.31	1.	218.81	194.47
Moncton, N.B.	Truck via Halifax	WHEAT	251.85	251.75		238.75	220.02
		OATS	N/A	N/A		N/A	N/A
		BARLEY	234.50	234.50		243.00	220.83
Truro, N.S.	Truck via Halifax	WHEAT	245.82	245.72		232.72	217.52
		OATS	N/A	N/A		N/A	N/A
		BARLEY	232.00	232.00		240.50	215.95
Halifax, N.S.	In-store	WHEAT	236.88	236.78	1.	223.78	204.85
		OATS	N/A	N/A	1.0	N/A	N/A
		BARLEY	218.30	218.30	1.0	226.80	202.27
Stephenville, Nfld.	Track / Truck via Sydney	WHEAT	300.23	300.13		287.13	264.63
		OATS	N/A	N/A		N/A	353.81
		BARLEY	N/A	N/A		N/A	269.34
From: Melfort, Sask.	FOB	WHEAT	N/A	N/A		N/A	159.70
		OATS	N/A	N/A		N/A	228.82
		BARLEY	N/A	N/A		N/A	148.60
To: Bayports, Ont.	Track	WHEAT	N/A	N/A		N/A	208.85
		OATS	N/A	N/A		N/A	285.71
		BARLEY	N/A	N/A		N/A	198.30
Montreal, Que.	Track	WHEAT	N/A	N/A		N/A	209.61
		OATS	N/A	N/A		N/A	289.43
		BARLEY	N/A	N/A		N/A	199.12
Moncton, N.B.	Track	WHEAT	N/A	N/A		N/A	237.89
		OATS	N/A	N/A		N/A	313.71
		BARLEY	N/A	N/A		N/A	N/A
Truro, N.S.	Track	WHEAT	N/A	N/A		N/A	236.08
		OATS	N/A	N/A		N/A	314.72
		BARLEY	N/A	N/A		N/A	N/A
Stephenville, Nfld	Track / Truck via Sydney	WHEAT	N/A	N/A		N/A	283.14
		OATS	N/A	N/A		N/A	364.00
		BARLEY	N/A	N/A		N/A	N/A

SELECTED POINT	PRICE BASIS		THIS WEEK	WEEK AGO		MONTH AGO	YEAR AGO
CORN							
From: US Lake Ports	On Board Vessel		159.15	157.22		160.38	130.50
To: Montreal, Que. (US Corn)	In-store		178.19	176.26	1.0	179.42	149.40
From: Chicago (Mi)	Track		154.21	152.33		154.84	129.87
To: Montreal, Que. (US Corn)	Track		183.07	181.19		183.70	158.90
From: Chatham	Track		166.43	165.84		166.72	142.02
To: Montreal, Que.	Track		190.23	189.64		190.52	165.40

SOYMEAL 48 PERCENT PROTEIN

From: Hamilton, Ont.			306.33	301.70		302.14	286.27
To: Montreal, Que.	Track		330.66	326.03		326.47	310.69
Moncton, N.B.	Track		349.41	344.78		345.22	333.90
Truro, N.S.	Track		352.63	348.00		348.44	332.73
Stephenville, Nfld.	Track / Truck via Sydney		401.26	396.63		397.07	381.53

1. Prices include ONE month of storage and interest charges

n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Economic and Industry Analysis Division, Market Research and Analysis Section

Contact: Hélène Ménard Tel: (514) 283-3815 (575) Fax: (514) 283-2754

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

Agriculture and
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Bi-weekly Bulletin

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INDONESIA

Indonesia is one of the largest agri-food markets in South East Asia, and generally imports about 18% of its annual wheat requirements from Canada. In addition, as the second largest producer and exporter of palm oil in the world, it exerts a significant influence on world and Canadian oilseed prices. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for Indonesia's agricultural sector, and prospects for trade with Canada.

Background

Indonesia is the world's fourth largest country and has a diversified resource base consisting of primary energy sources, mineral deposits, timber, and various agricultural commodities. Indonesia's economy is market-based, but the government continues to play a significant role in administering prices for basic consumer goods such as fuel, rice, and electricity.

The population of Indonesia was about 228 million people in 2001 which has grown at an average rate of 1.6% over the last 5 years. About 25% reside in urban areas and 75% in rural areas and a steady migration has been taking place out of rural areas.

High levels of economic growth during the decade prior to the Asian financial crisis masked a number of structural weaknesses in Indonesia's economy. The legal system was weak, and there was no effective way to enforce contracts or collect debts. The banking system was unsophisticated, with widespread violations of banking regulations. There were economic distortions created by non-tariff barriers, domestic subsidies, and export restrictions.

The financial problems that surfaced in Asia in 1997 quickly created an economic and political crisis for Indonesia. In response to the crisis, Indonesia floated the *rupiah*, raised key domestic interest

rates, and tightened fiscal policy. The government also took custody of a significant number of private sector assets through the acquisition of non-performing bank loans, and certain corporate assets were acquired through a debt restructuring process.

The effects of the financial crisis on Indonesia's economy were severe. Real gross domestic product (GDP) decreased by about 14% in 1998 and, by mid-1999, the economy had virtually bottomed out. Furthermore, a weak *rupiah* negatively affected Indonesia's ability to import rice, worsening food shortages brought on by the El Niño-induced drought. To help deal with the financial crisis, Indonesia and the International Monetary Fund agreed on an economic reform program aimed at economic stabilization and the elimination of policies standing in the way of an economic recovery.

Indonesia's economic outlook began to improve in mid-2000, driven largely by an increase in exports, positive growth in the manufacturing sector, and increased household consumption. Higher oil prices helped improve Indonesia's trade balance, but the recovery was limited by continued weakness in the foreign investment sector.

SITUATION

Agriculture

Agriculture accounts for about 21% of Indonesia's GDP, and the sector provides employment for about 45% of the population. Indonesia's main agricultural products are rice, corn, palm oil, copra, cassava, peanuts, rubber, poultry, beef, pork, and eggs. Farming is labour intensive due to the relatively small size of Indonesia's farms, and many farm families live at a subsistence level.

Indonesia's government introduced policies for food self-sufficiency in the early 1970s. These policies included subsidies for purchases of crop inputs such as fertilizer and herbicides, improved access to irrigation through credit programs, and other incentives to encourage more efficient farming operations. Nevertheless, Indonesia still had difficulty meeting its goal of food self-sufficiency due to its economic and financial troubles.

More recently, Indonesia's economic recovery has been focussed on increased production and exports of palm oil. The strategy included a controversial sale of 265,000 hectares (ha) of oil palm plantations to Malaysia's Kumpulan Guthrie Bhd in late-2000. Guthrie purchased 24 plantations for a reported US\$368 million (M) and took over US\$43M of debt that had accrued to the operations. The purchase helps Guthrie deal with the problem of land shortages in Malaysia, and



Canada

it allows them to capitalize on the availability of low-cost labour in Indonesia and the greater output from newly matured palm trees. Although Malaysia and Indonesia are very competitive in the palmoil market, Malaysia has superior planting technology that can be applied in Indonesia to the benefit of both parties.

Indonesia's National Logistics Agency (BULOG) is responsible for maintaining government control over essential food commodities. The degree of control that the agency exerts varies between commodities. Rice, for example, is marketed through the private sector, but BULOG sets support prices for rice and sometimes influences prices by buying and/or selling rice on the open market. BULOG, until recently, was responsible for imports and domestic pricing of wheat and wheat flour.

Trade with Canada

Canadian **exports** of agricultural and agri-food products to Indonesia averaged CAN\$195M during the past decade, peaking at CAN\$386M in 1996-1997. Bulk grains constitute about 90% of Canada's total agri-food sales to Indonesia.

Canadian **imports** of agricultural and agri-food products from Indonesia during this same period averaged CAN\$159M, peaking at CAN\$220M in 1997-1998. About half of Canada's annual imports from Indonesia are natural rubber, followed by: cocoa and cocoa products (15%); coffee, tea, maté and spices (14%); and fish and crustaceans (8%).

Canada's wheat exports to Indonesia have averaged 850,000 tonnes (t) during the past decade, peaking at 1.4 million tonnes (Mt) in 1996-1997. Canadian wheat sales to Indonesia dropped off significantly during the financial crisis, but have since recovered to more historic levels. In 2001-2002, wheat sales to Indonesia represented about 6% of Canada's total wheat exports.

The Milling and Baking Industry

Indonesia's milling and bakery industry is undersized for the size of its population. Per capita consumption of wheat flour is relatively low, with about

2.4 kilograms (kg) of flour consumed by urban dwellers and 1.8 kg per annum by rural dwellers compared to about 45 kg per annum in Japan. Indonesia offers great potential as a market for wheat-derived and other products.

The value of Indonesia's wheat product sector is estimated at US\$690M annually, and consumption of these products is directly related to disposable income. Lower income groups consume virtually no bread while higher income groups consume up to double the national average. Of the 4 Mt of wheat milled annually in Indonesia, about 15% or 600,000 tonnes is used for baking bread.

There are at least 400 commercial-sized bakeries in Indonesia, most of which are relatively small businesses. The industrial-sized bakeries are found only in major cities. Bakery products are sold to consumers via the traditional village markets or directly from the bakeries. There are some supermarkets and other modern retail outlets that offer bakery products, but they are located primarily in Indonesia's major cities.

In contrast to the many small baking operations found in Indonesia, the flour milling industry is dominated by a few large firms, some of which are vertically integrated. The largest firm by far is Bogasari Flour Mills and it is owned by Indofood Group, which dominates Indonesia's food processing industry. Bogasari Flour Mills processes about 75% of Indonesia's wheat flour requirements while three smaller mills account for the remainder.

The wheat market has recently been deregulated and many trade barriers have been removed. BULOG no longer holds a monopoly over wheat imports, and this has allowed Bogasari Flour Mills to become a major importer of wheat. Since deregulation, Bogasari Flour Mills has become more commercially oriented, launching new and higher standards of quality for wheat flour aimed at the bread baking industry. The product is milled from hard grain wheat and it calls for strict quality control measures. However, soft wheat flours, which have been traditionally used for products such as cakes, pastry and biscuits, continue to account for about 60% of the wheat flour consumed in Indonesia.

Wheat

Indonesia consumes a significant amount of wheat annually, all of which is imported. Wheat-based products are still considered a luxury item for many Indonesians, and are consumed primarily by higher income families living in urban areas. Instant noodles are a common use for wheat in Indonesia, and the remainder is consumed as bread, pasta, biscuits, and snack foods.

Australia generally captures 60% of Indonesia's wheat market with sales of hard and soft white wheat, while the United States (US) exports both hard red and soft white wheats (20%). Canadian sales to Indonesia are mostly high-quality Canada Western Red Spring wheat, with some sales of durum wheat for the pasta market. The financial crisis seriously affected Indonesia's ability to import wheat, but **consumption** of wheat has increased steadily with the ongoing economic recovery. For 2001-2002, consumption

INDONESIA: WHEAT, PALMOIL, AND RICE SUPPLY AND DISPOSITION

	WHEAT			PALMOIL			RICE		
	2000 -2001	2001 -2002	2002 -2003e	2000 -2001	2001 -2002	2002 -2003e	2000 -2001	2001 -2002	2002 -2003e
	(July-June)			(October-September)			(October-September)		
	.....thousand tonnes.....						.....million tonnes.....		
Carry-in Stocks	1,100	1,000	800	679	920	780	6.4	4.8	4.9
Production	0	0	0	7,665	8,640	8,980	32.8	32.0	32.8
Imports	4,069	3,677	4,000	8	15	20	1.5	3.5	3.3
Total Supplies	5,169	4,677	4,800	8,352	9,575	9,780	40.7	41.3	41.0
Consumption	4,120	3,827	4,150	2,856	2,961	3,090	35.9	36.4	36.8
Exports	49	50	0	4,576	5,834	5,980	0	0	0
Total Use	4,169	3,877	4,150	7,432	8,795	9,070	35.9	36.4	36.8
Carry-out Stocks	1,000	800	650	920	780	710	4.8	4.9	4.2

e: estimate, USDA, January 2003 except palmoil which is Oilworld, December 2002

Source: USDA

reached a record 4.2 Mt, up from the previous record of 4.1 Mt in 2000-2001.

Palmoil

Indonesia's **production** of palmoil has steadily increased and reached a record 8.6 Mt in 2001-2002. Increased production is due largely to a combination of favourable weather conditions and the productivity of newly matured palmoil trees. Another contributing factor is the ongoing research which has improved palmoil yields through varietal development, crop management practices, and processing technology.

Domestic palmoil **consumption** in Indonesia decreased during the Asian financial crisis, but has since returned to more normal levels. For 2001-2002, palmoil consumption is estimated at a record 3.0 Mt, with much of that increase directly related to population growth.

The Indonesian government has traditionally used an **export tax** to help guarantee adequate supplies of palmoil for the domestic market. However, increased exports in 1997 resulted in a scarcity of domestic cooking oil, and the government imposed a ban on palmoil exports in 1998. In mid-1998, the ban was lifted and replaced with a 40% export tax, with the intention that the tax would be lowered once the market stabilized. The export tax has since been decreased significantly, largely on the urging of domestic producers. At the same time, domestic processors objected to the reduction in the export tax, arguing that a lower export tax would create shortages of crude palmoil available for further processing. In March

2001, the export tax on palmoil was further decreased from 5% to 3%.

Exports of palmoil have more than doubled during the past five years and reached a record of 5.8 Mt in 2001-2002. The main markets are in India, the European Union, China, South Africa and Vietnam.

Palmoil has been trading at a discount to soyoil since June 1999, setting a record US\$155 per tonne (/t) in November 2002. However, with record soybean crops forecast in Brazil and Argentina in early 2003, the palmoil-soyoil spread is expected to decrease significantly and is forecast to average US\$105/t in 2002-2003.

Rice

Rice is Indonesia's most important agricultural commodity. Rice **production** accounts for over half of the arable land available for crop production, and more than 90% of Indonesia's rice is grown under irrigation. During the past decade, area seeded to rice has remained fairly stable, averaging 11.4 million hectares (Mha). Production for 2001-2002 is estimated at 32 Mt, down marginally from the previous year.

Rice **consumption** has steadily increased during the past decade, reflecting the growth in Indonesia's population, and its continued reliance on rice as a food source. For 2001-2002, rice consumption is estimated at 36 Mt, up slightly from the previous year.

Indonesia's **imports** of rice decreased considerably during the Asian financial crisis. A serious drought in 1997 affected

yields and, as a result, Indonesia imported a record 5.8 Mt of rice that year. However, Indonesia's economic situation has improved and, with prospects for a stronger *rupiah*, rice imports are expected to increase significantly. For 2001-2002, rice imports were at 2.8 Mt, slightly higher than each of the previous two years.

Corn

Area seeded to corn has remained fairly constant over the past decade, although a record 3.7 Mha of corn were seeded in 1994-1995. Seeded area has since returned to normal levels, averaging 3.0 Mha annually. Corn **production** has varied due to yearly fluctuations in yields, reaching a record 6.5 Mt in 1998-1999. For 2001-2002, corn production is estimated at 6.0 Mt, up from 5.9 Mt during the previous year.

Indonesia's corn **consumption** increased about 25% during the past decade. This is due largely to increased use of corn for feeding livestock as specialized feed lots were established to meet the growing demand for meat and meat products. Corn for human consumption was relatively unchanged for this same period. For 2001-2002, total corn consumption was 7.1 Mt, of which 4.3 Mt will be consumed as animal feed.

Indonesia currently has a 0% tariff on corn **imports**. However, the government plans to impose a 30% tariff on corn imports as a means of encouraging domestic production. For 2001-2002, imports were at a near record 1.3 Mt.

Soybeans

Area seeded to soybeans accounts for about 5% of Indonesia's arable land, down from about 7% during the early 1990s. The decline in soybean area is largely attributed to increased rice and palmoil production, and the availability of soybeans at competitive prices. For 2001-2002, soybean **production** was 0.9 Mt, down from 1.0 Mt in 2000-2001.

In Indonesia, soybeans are consumed primarily in the form of food products such as tofu, soymilk and tempeh. This segment of the market has grown by about 30% during the past decade as Indonesia's middle and upper class spend more money on higher-valued food products such as those derived from soybeans. Demand for soyfood products in Indonesia has expanded beyond traditional foods, and now includes the use of tofu for vegetarian

INDONESIA: CORN AND SOYBEANS SUPPLY AND DISPOSITION

	CORN			SOYBEANS		
	2000 -2001	2001 -2002	2002 -2003e	2000 -2001	2001 -2002	2002 -2003e
	(October-September)			(September-August)		
	.....thousand tonnes.....					
	Carry-in Stocks	771	711	721	67	70	70
Production	5,900	6,000	6,100	1,020	860	714
Imports	1,280	1,300	1,300	1,261	1,580	1,600
Total Supplies	7,951	8,011	8,121	2,348	2,510	2,384
Consumption	7,150	7,100	7,200	2,278	2,440	2,314
Exports	90	100	100	0	0	0
Total Use	7,240	7,200	7,300	2,278	2,440	2,314
Carry-out Stocks	711	721	821	70	70	70

e: estimate, USDA, January 2003

Source: USDA

pizzas. For 2001-2002, soybean **consumption** increased slightly.

Soybean **imports** have more than tripled during the past decade due partially to a 0% import tariff. For 2001-2002, soybean imports were at a record 1.6 Mt.

OUTLOOK

Indonesia is emerging as a powerhouse in world palmoil production. In contrast to Malaysia, which has very little undeveloped land suitable for palm tree cultivation, Indonesia has a huge reserve of untapped land that is fertile, flat, and located in the proper climate zone. Easy access to rivers makes the land ideal for palm tree cultivation.

Indonesia has a large domestic pool of local labour to handle the harvest of palm fruit. However, it continues to rely on Malaysian and Chinese investors for the expertise and technology necessary to develop palm production. In fact, much of the investment in Indonesia's palm production is directly linked to the large palmoil refining plants in Malaysia.

Indonesia is restricted by trade barriers to export palmoil to the larger markets. India, Pakistan, Bangladesh and other southeast Asian countries have implemented restrictive tariffs and non-tariff barriers to protect their domestic processing industries. This type of protectionism prevents Indonesia from achieving its full potential as a palmoil producer and exporter.

Indonesia's future economic development also hinges on its ability to deal with political uncertainties. In recent years, the uncertainty has been reflected in a weak *rupiah*, rising inflation, and slowing economic growth.

However, the value of Indonesia's *rupiah* has strengthened significantly since last year at this time. As well, it appears that the performance of Indonesia's *rupiah* is now more closely tied to economic fundamentals rather than the political and social factors that have influenced it in the past.

The Indonesian economy is expected to grow in 2002, supported by increased consumption and investment. Improved global economic conditions are expected to contribute to higher exports and imports. Indonesia's progress in carrying out banking reform and dealing with corporate debt restructuring has also helped to improve its economic outlook.

Domestic demand for consumer products in Indonesia is expected to continue increasing, supported by low interest rates and higher real incomes. Improvements in Indonesia's social and political environment are also expected to translate into higher levels of foreign investment.

Wheat

For 2002-2003, Indonesia's wheat **consumption** and **imports** are forecast at 4.2 Mt and 4.0 Mt respectively. Due to low supplies caused by the drought in 2002, Canada's share of the Indonesian market is expected to decrease. Wheat exports are forecast to fall by about 50% from the 0.7 Mt Canada exported to Indonesia in 2001-2002.

Palmoil

For 2002-2003, palmoil **production** is forecast at a record 9.0 Mt, up from the previous record of 8.6 Mt in 2001-2002. Both **consumption**, forecast at 3.1 Mt, and **exports**, forecast at 6.0 Mt, are a record.

Rice

Indonesia's rice **production** is forecast at 32.5 Mt, up slightly from 2001. **Consumption** is forecast at 36.5 Mt, similar to 2001-2002, and **imports** are expected to increase to 4.3 Mt, from 2.8 Mt in 2001-2002.

Corn

Corn **production** is forecast to increase slightly to 6.1 Mt, corresponding with a small increase in domestic **consumption**, which is forecast at 7.2 Mt. Similarly, **imports** are forecast at 1.3 Mt.

Soybeans

Indonesia's soybean **production** is forecast at 0.7 Mt, down from 0.9 Mt in 2001-2002. **Consumption** is forecast at 2.3 Mt, down from 2.4 Mt in 2001-2002, and **imports** are forecast at 1.6 Mt, up slightly from 2001-2002.

Implications for Canada

Canada's major competitor in Indonesia's wheat market is Australia, which has a distinct advantage by virtue of its proximity to this important market and the subsequent lower freight costs. However, Indonesia's steady population growth, increased urbanization, and higher disposable incomes are expected to increase demand for high-quality and consumer-ready food products. As well, the establishment of bakery schools and institutes in recent years has helped Indonesians develop their skills in baking technology. These developments are expected to improve Canada's prospects for increasing sales of high quality wheat to Indonesia over the long-term.

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A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS																		As of Monday January 13, 2003									
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL 48%	CANOLA MEAL	MILL FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	FEED PEAS	DEHY ALFALFA	FEATHER MEAL										
Vancouver	This week	FOB	228.16	N/A	208.16	191.00		342.50	(7) 255.50	184.00	325.00	(4) 900.00	550.00				430.00										
B.C.	Week ago		228.16	N/A	208.16	191.00		342.50	(7) 255.50	184.00	325.00	(4) 900.00	550.00				430.00										
Calgary	This week	FOB	205.00	N/A	185.00	174.00		326.00	N/A		290.00	(4) 950.00	585.00				430.00										
Alta	Week ago		205.00	N/A	185.00	180.00		336.00	N/A		285.00	(4) 950.00	585.00				430.00										
Saskatoon	This week	FOB	184.00	245.00	169.50	176.00		318.75	235.00		290.00	(4) N/A	585.00		191.67		460.00										
Sask.	Week ago		183.00	232.50	170.50	178.00		328.75	235.00		285.00	(4) N/A	585.00		193.33		460.00										
Melfort	This week	FOB	N/A	N/A	N/A																						
Sask.	Week ago		N/A	N/A	N/A																						
Winnipeg	This week	FOB	183.50	(9)215.00	172.50	165.00		303.75	225.00		295.00	(4) 925.00	480.00				450.00										
Man.	Week ago		184.50	(9)215.00	179.50	164.00		312.75	225.00		295.00	(4) 925.00	480.00				450.00										
Thunder Bay	This week	In-store	(8)200.10	N/A	176.70																						
Ont.	Week ago		(8)201.50	N/A	N/A																						
Lake Ports	This week	On Board				154.23																					
USA	Week ago	Vessel				156.64																					
Bay Ports	This week	In-store	227.10	330.00	N/A																						
Ont.	Week ago		228.50	330.00	N/A																						
Chatham	This week	Track				164.46																					
Ont.	Week ago					164.56																					
Toronto	This week	N/A					FOB				296.00	(5) N/A	485.00	510.00	130.00	285.00	375.00										
Ont.	Week ago										292.00	(5) N/A	485.00	480.00	167.00	285.00	385.00										
Hamilton	This week	N/A					FOB	299.72	N/A																		
Ont.	Week ago							312.50	N/A																		
Eastern Ontario	This week	FOB				165.00																					
Ontario	Week ago					165.50																					
London	This week	FOB																									
Ont.	Week ago																										
Port Colborne	This week	FOB																									
Ont.	Week ago																										
Cardinal	This week	FOB																									
Ont.	Week ago																										
Montreal	This week						FOB	320.96	269.08	165.50	298.00	(5) 850.00	457.00	520.00	140.00	268.00	370.00										
Que.	Week ago							333.03	278.33	164.17	292.00	(5) 850.00	463.00	480.00	169.00	268.00	370.00										
Trois-Riv. Que.	This week	In-store	233.10	N/A	N/A	173.51																					
Que.	Week ago		234.50	N/A	N/A	176.76																					
St-Jean Que.	This week	FOB	203.37	216.25	177.48	(2) 168.61																					
St-Hyacinthe, Que.	Week ago		202.83	213.75	177.43	(2) 169.68																					
Quebec	This week	In-store	225.05		213.40	177.66	FOB	317.43	263.95																		
Que.	Week ago		225.75		213.20	178.77																					
Truro	This week	Track	255.24	N/A	240.82	208.28	FOB	344.80	N/A								370.00										
N.S.	Week ago		254.94	N/A	205.40	206.94		351.08	263.95								370.00										
Truro	This week	Water	N/A	N/A	N/A	205.40																					
N.S.	Week ago	& Truck	N/A	N/A	N/A	206.40																					
Halifax	This week	In-store	N/A	N/A	N/A	196.40	FOB																				
N.S.	Week ago		N/A	N/A	N/A	197.40																					

Source: Market Analysis Division, Agriculture and Agri-Food Canada, Contact: Doris Pellerier, A/Statistical Clerk Tel: (204) 983-0581 Fax: (204) 983-5524 N/A = not available US \$1.00=Cdn 1.5418 as of January 13, 2003
Thunder Bay prices are based on the Winnipeg Commodities Exchange market close
Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No.1 Feed Oats, No.1 or 2 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%, Gluten Feed 21% Protein, Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.
 (1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Cash Price WCE (9) 3CW

B. CASH PRICES AND REPLACEMENT VALUES

As of Monday January 13, 2003

PRAIRIE GRAINS

SELECTED POINT	PRICE BASIS		THIS WEEK	WEEK AGO		MONTH AGO	YEAR AGO
From: Thunder Bay 2	In-Store	WHEAT	200.10	201.50		202.30	171.00
CBOT		OATS	N/A	N/A		N/A	N/A
LETHBRIDGE		BARLEY	176.70	176.20		184.00	159.00
To: Bayports, Ont.	In-store	WHEAT	223.71	225.11	1	225.91	194.10
		OATS	N/A	N/A	1	N/A	N/A
		BARLEY	204.09	203.59	1	211.39	186.15
Montreal, Que.	In-store	WHEAT	228.13	229.53	1	230.33	198.85
		OATS	N/A	N/A	1	N/A	N/A
		BARLEY	209.01	208.51	1	216.31	191.27
Moncton, N.B	Truck via Halifax	WHEAT	250.35	251.75		252.55	221.32
		OATS	N/A	N/A		N/A	N/A
		BARLEY	233.20	232.70		240.50	217.63
Truro, N.S.	Truck via Halifax	WHEAT	244.32	245.72		246.52	218.82
		OATS	N/A	N/A		N/A	N/A
		BARLEY	230.70	230.20		238.00	212.75
Halifax, N.S.	In-store	WHEAT	235.38	236.78	1	237.58	206.15
		OATS	N/A	N/A	1	N/A	N/A
		BARLEY	217.00	216.50	1	224.30	199.07
Stephenville, Nfld.	Track / Truck via Sydney	WHEAT	298.73	300.13		300.93	265.93
		OATS	N/A	N/A		N/A	N/A
		BARLEY	N/A	N/A		N/A	266.14
From: Melfort, Sask.	FOB	WHEAT	N/A	N/A		N/A	163.00
		OATS	N/A	N/A		N/A	232.91
		BARLEY	N/A	N/A		N/A	149.80
To: Bayports, Ont.	Track	WHEAT	N/A	N/A		N/A	212.15
		OATS	N/A	N/A		N/A	289.80
		BARLEY	N/A	N/A		N/A	199.50
Montreal, Que.	Track	WHEAT	N/A	N/A		N/A	212.91
		OATS	N/A	N/A		N/A	293.52
		BARLEY	N/A	N/A		N/A	200.32
Moncton, N.B.	Track	WHEAT	N/A	N/A		N/A	241.19
		OATS	N/A	N/A		N/A	317.80
		BARLEY	N/A	N/A		N/A	N/A
Truro, N.S.	Track	WHEAT	N/A	N/A		N/A	239.38
		OATS	N/A	N/A		N/A	318.81
		BARLEY	N/A	N/A		N/A	N/A
Stephenville, Nfld	Track / Truck via Sydney	WHEAT	N/A	N/A		N/A	286.44
		OATS	N/A	N/A		N/A	368.09
		BARLEY	N/A	N/A		N/A	N/A

SELECTED POINT	PRICE BASIS		THIS WEEK	WEEK AGO		MONTH AGO	YEAR AGO
CORN							
From: US Lake Ports	On Board Vessel		154.23	156.64		159.08	132.52
To: Montreal, Que. (US Corn)	In-store		173.27	175.68	1	178.12	151.42
From: Chicago (Mi)	Track		150.57	152.94		153.55	135.66
To: Montreal, Que. (US Corn)	Track		179.43	181.80		182.41	164.69
From: Chatham	Track		164.46	164.56		166.53	140.84
To: Montreal, Que.	Track		188.26	188.36		190.33	164.22

SOYMEAL 48 PERCENT PROTEIN

From: Hamilton, Ont.			299.72	312.50		296.96	296.96
To: Montreal, Que.	Track		324.05	336.83		321.29	321.38
Moncton, N.B.	Track		342.80	355.58		340.04	344.59
Truro, N.S.	Track		346.02	358.80		343.26	343.42
Stephenville, Nfld.	Track / Truck via Sydney		349.65	407.43		391.89	392.22

1. Prices include One month of storage and interest charges

n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Doris Pelletier, A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

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Bi-weekly Bulletin

January 31, 2003 Volume 16 Number 3



CHILE

Chile has a prosperous, market-oriented economy which relies heavily on exports of minerals, fish, and forest products. Trade in agri-food products contributes to a lesser extent to Chile's economic and social well-being. Although Chile is an important South American market for Canadian agri-food products, Canadian imports far exceed Canada's exports to Chile. Canadian exports of wheat, durum, and pulse and special crops are expected to increase over the medium-term. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for Chile's agricultural sector and prospects for trade with Canada.

BACKGROUND

Economy

The population of Chile, estimated at 15.3 million (M), is growing at an annual rate of about 1.1%. Chile's gross domestic product (GDP) is estimated at US\$66 billion, which equates to about US\$4,300 per person. The services sector accounts for more than half of Chile's economic activity, followed by industry at 38%, and agriculture at 4%.

Chile's economy is heavily reliant on the export of minerals, which account for about one-third of its annual exports.

After World War I, Chile began developing the capacity to process raw materials and to manufacture consumer-ready goods. Copper is currently its most valuable resource, but it also produces various food products, fish meal, wood and wood products, transportation equipment, cement, textiles, iron and steel, paper, and chemicals for domestic and international markets.

Chile's reputation as a role model for economic reform was strengthened when civilian governments took over from the military in March 1990. With

that change, the role of government shifted away from direct involvement in the economy and focussed more on public spending programs to improve living conditions.

Growth in Chile's real GDP averaged about 7% through most of the 1990s but decreased to about half of that figure by 1998, due largely to the global financial crisis. The crisis seriously affected Chile's export earnings and forced government to adopt tighter monetary policies to deal with the burgeoning deficit in its current account.

By 2000, Chile's exports and economic activity had begun to recover, supported by its reputation for having solid financial institutions and sound economic policies. The recovery was also aided by Chile's friendly attitude toward foreign investment, a position firmly entrenched in its Foreign Investment Law. The law gives foreign investors the same treatment afforded to Chileans, registration is simple and transparent, and foreign investors are guaranteed access to the official foreign exchange market should they wish to repatriate their profits and/or capital. The Foreign Investment Law allows that all net profits

generated by foreign investment may be remitted immediately, but for capital, repatriation can only occur one year after it has entered Chile; both may be done with easy access to foreign currency.

The Chilean government is committed to annual economic growth of 5%, but its success in achieving that goal will depend largely on world prices for its major exports such as copper, foreign investor confidence, and the government's ability to demonstrate fiscal and monetary prudence.

Agriculture

Chile's climate ranges from tropical to the harshness of the Antarctica. The northern part of the country is extremely arid while the central regions have a Mediterranean-type climate characterized by cool and rainy winters, and relatively moderate temperatures during the summer. The southern region is cool and rainy throughout most of the year. Only about 7% of Chile's land area is agriculturally productive, and the best arable land is concentrated in central Chile.

Some crops are grown in the northern region of Chile, but these crops are



highly dependent on irrigation. About 16% of Chile's total land area provides permanent grazing for its livestock sector, which is concentrated in central Chile and the northern part of southern Chile.

Agriculture provides employment for about 15% of Chile's population, but it accounts for less than 10% of the national wealth generated annually. Chile's agricultural products include wheat, potatoes, corn, beans, sugar beets and fruit. Food self-sufficiency continues to be a problem for Chile as it regularly imports corn, wheat and other grains to cover its food shortfall.

For the most part, Chile's efforts to increase agricultural production have focussed on higher value commodities and, in fact, it has become the largest fruit exporter in South America. Value-added products such as wine have also helped to improve Chile's trade balance. With the change in focus, production of commodities such as corn, wheat and barley has fallen behind relative to some of the other agricultural and agri-food products such as fruit and nuts.

Historically, much of Chile's agricultural land has been in the form of large estates, remnants of the Spanish colonial period during which extensive land grants were made to army officers and colonial officials. As recently as the late 1920s, about 90% of farmland in central Chile was held in this manner. Since then, many of the large estates have been broken up and sold as small farms, but most of the farm work continues to be done by tenants and hired labour.

Trade

Chile has relatively few barriers to trade. Although all imports require a licence, these licences are routinely granted for most goods. Imported products for human consumption must clearly display the country of origin, and packaged goods must display the quality, purity, ingredients and the measure of the contents in metric units. Exports also require a licence, but this is primarily for gathering trade data. There are

phytosanitary and quality regulations for products under the control of the Agricultural and Livestock Service.

Chile's export markets are fairly balanced between North America, the European Union (EU), Asia, and Latin America. Although Asia is the fastest growing market for Chilean exports, the United States (US) is still the largest market, taking in about 18% of Chile's total exports. Chile has a free trade agreement with Canada and in keeping with its trade-oriented development strategy, has just concluded free trade agreements with the EU and the US. Chile has economic cooperation agreements with the Andean Community, Mexico, Costa Rica and the Mercosur countries (Brazil, Argentina, Paraguay, and Uruguay). It is also pressing for continued negotiations for a Free Trade of the Americas Agreement (FTAA).

In terms of imports, the US is also Chile's largest supplier, providing over 20% of its total annual imports. Chile is unilaterally lowering its across-the-board import tariff for all countries with which it does not have an active trade agreement, and that includes the US. Chile lowered the import tariff to 6% as of January 1, 2003.

Higher tariffs are charged on a few products including imports of wheat, vegetable oils, and sugar. For these particular products, this is accomplished by using a system of import price bands, which puts minimum prices on commodities for which Chile is not competitive. The exceptions are beef and some prepared poultry products, sugar, milling wheat, and wheat flour. For example, the price band for wheat provides a floor and ceiling price. When international CIF prices are lower than the price band, a surtax is calculated to bring the landed price up to, or above, the price band floor. Chilean producers

are guaranteed a minimum price equal to the floor of the price band, minus transportation costs to Santiago. Each year, the Ministers for International Trade meet to continue to collaborate on ways to strengthen the Canada-Chile relationship. Both parties have reaffirmed their commitment to the FTAA negotiations.

Trade with Canada

The bilateral Canada-Chile Free Trade Agreement (CCFTA) which came into effect on July 5, 1997 provides duty-free access for most agri-food products, either immediately, or within a period of 5-10 years. The exceptions are milling wheat, sugar, and beef for which tariffs are to be phased out over 17, 16, and 15 years, respectively. The CCFTA provides for immediate duty-free access for specific quantities of pork, canola oil, and beef but, under the agreement, Canada and Chile retain tariffs on supply-managed dairy, poultry and egg products. The second round of amendments to the CCFTA were agreed to in May 1999, and at the same time both parties reaffirmed their commitment to moving ahead with negotiations for the FTAA.

Trade with the US

Agreement was reached on December 11, 2002, in negotiations toward a US-Chile Free Trade Agreement. It is designed to decrease barriers and facilitate trade and investment between both countries. Trade representatives from both countries are expected to sign the Agreement and submit it to their Congresses for approval in 2003. The

CANADA: EXPORTS TO CHILE

<i>August-July crop year</i>	1998 -1999	1999 -2000	2000 -2001	2001 -2002	2002 -2003f
.....thousand tonnes.....					
Wheat*	102	201	85	42	15
Durum	150	119	115	94	110
Lentils	12	16	11	10	8
Malt	10	11	5	5	5
Dry Peas	5	4	3	3	3
Canary Seed	2	4	4	3	3

* excluding durum

f: forecast, AAFC, January 2003

Source: Canadian Grain Commission

benefits for US producers are expected to be improved market access through duty free trade of soybeans, durum, livestock and processed food products.

Exchange Rates

Since the CCFTA came into effect in 1997, the Chilean peso has weakened steadily against the Canadian dollar, losing about one-third of its value during this period. The devaluation of the Chilean peso has contributed to the obvious trade imbalance between the two countries, one which has existed for several years. In fact, trade data clearly show that the annual value of Canadian imports of agri-food products from Chile is on average three times that of Canadian exports to Chile. There appears to be a strong correlation between exchange rates and the ongoing trade imbalance.

Free Trade Area of the Americas

In global terms, the 34 countries which make up the Americas represent a formidable economic bloc which stretches from Canada's Yukon Territory in the north to Argentina's Tierra del Fuego in the south. This area consists of 40 million square kilometres and over 800 million people and generates a total GDP of about US\$13 trillion. Since the mid-1990s, more than 55% of the total goods sold in the Western Hemisphere have stayed in the region, providing a strong incentive to proceed with negotiations for the FTAA.

The specific goals of the FTAA are: 1) to promote prosperity through increased economic integration and free trade among the negotiating countries, 2) to establish a Free Trade Area, one in which barriers to trade in goods and services and investment are progressively eliminated, 3) to maximize market openness, 4) to provide opportunities for the integration of the smaller economies in the FTAA process, 5) to strive to make trade liberalization and environmental policies mutually supportive, taking into account work undertaken by the World Trade Organization, and 6) to further secure, in accordance with respective laws and regulations, the observance and promotion of worker rights.

OUTLOOK

Wheat

Wheat production in Chile increased significantly over the past decade, due to a combination of increased seeded area and improved yields. For 2002-2003, **production** is estimated at 1.7 Mt, up marginally from 2001-2002.

Chile's wheat **consumption** has remained relatively stable during the past decade and, for 2002-2003, is forecast at 2.2 Mt. Per capita wheat consumption is 140 kilograms per year, making Chileans the largest consumers of bread in the Western Hemisphere.

Wheat **imports** increased considerably during the early 1990s, peaking at 0.8 Mt in 1995-1996, but have since dropped off and are estimated at 0.5 Mt for 2002-2003. Canada supplies a large percentage of Chile's wheat import requirements. Canadian wheat exports have consisted of high protein Nos.2 and 3 Canada Western Red Spring wheat and Nos.2 and 3 Canada Western Amber Durum. The other major suppliers of wheat to Chile are Argentina and the US.

For 2002-2003, Canadian non-durum wheat exports to Chile are forecast at 15,000 t, down significantly from 2001-2002 as a result of the drought in western Canada which resulted in a shortage of high quality wheat. For 2002-2003, Canadian durum exports are forecast to increase to 110,000 t from 94,000 t in 2001-2002.

Coarse Grains

Corn

Area seeded to corn in Chile has decreased over the past decade, however, higher yielding varieties of corn have offset some of the decrease. For 2002-2003, corn **production** is estimated at 0.8 million tonnes (Mt), unchanged from last year, and slightly below the record crop of 0.9 Mt in 1997-1998.

CHILE: WHEAT* SUPPLY AND DISPOSITION

July-June crop year	1998 -1999	1999 -2000	2000 -2001	2001 -2002	2002 -2003f
Area (000 ha)	339	392	414	426	440
Yield (t/ha)	3.5	3.8	4.3	3.9	3.9
.....thousand tonnes.....					
Carry-in Stocks	200	125	200	250	190
Production	1,197	1,493	1,780	1,660	1,700
Imports	722	732	438	450	500
Total Supplies	2,119	2,350	2,418	2,360	2,390
Consumption	1,961	2,131	2,155	2,150	2,150
Exports	33	19	13	20	0
Total Use	1,994	2,150	2,168	2,170	2,150
Carry-out Stocks	125	200	250	190	240

* including durum

f: forecast, USDA, January 2003

Source: USDA

CHILE: CORN SUPPLY AND DISPOSITION

Oct.-Sep. crop year	1998 -1999	1999 -2000	2000 -2001	2001 -2002	2002 -2003f
Area (000 ha)	75	69	82	87	90
Yield (t/ha)	8.3	9.4	9.5	9.2	8.9
.....thousand tonnes.....					
Carry-in Stocks	250	250	235	274	259
Production	624	652	778	800	800
Imports	1,268	1,260	1,362	1,278	1,400
Total Supplies	2,142	2,162	2,375	2,352	2,459
Consumption	1,867	1,902	2,090	2,078	2,200
Exports	25	25	11	15	15
Total Use	1,892	1,927	2,101	2,093	2,215
Carry-out Stocks	250	235	274	259	244

f: forecast, USDA, January 2003

Source: USDA

Corn **consumption** for 2002-2003 is estimated at 2.2 Mt, up marginally from last year. The increase is due to record feed use, which is largely attributed to a burgeoning hog and poultry industry which has nearly doubled production during the past decade. On the other hand, beef and veal production, which peaked at 262,000 tonnes (t) in 1997, has since dropped off and, for 2002, is estimated at 217,000 t. Corn **imports** have nearly tripled during the past decade and are estimated at 1.4 Mt. Currently, Argentina is the largest supplier of corn to Chile. Argentina's export advantage includes lower costs and quality preferences. Argentine corn is also subject to a lower import duty than US corn, as a result of the Mercosur Agreement. Argentina pays a duty of 2.8%, while US corn is subject to a 7% duty. In 2003-2004, the US duty falls to 6%, however the Mercosur duty will also be reduced, thus maintaining the advantage for Argentine corn. Canada does not export any corn to Chile.

Oats

Oat production has increased slightly over the last five years, due to the combination of higher seeded area and improved yields. For 2002-2003, oat production is estimated at 0.3 Mt, up marginally from last year. Chilean producers primarily grow oats as a supplemental feed source for livestock. Chilean oat exports total about 10,000 t annually, largely to Peru and Colombia. Canada is not a supplier of oats to Chile.

Barley

Barley is grown for malting purposes, with the remainder used as feed. Barley production in Chile has fallen over the last five years, largely due to poor prices offered by domestic maltsters. Annual barley production is about 65,000 t and on average 35,000 t is imported for malting purposes. For 2002-2003, Canadian malt exports are forecast to remain unchanged from last year at 5,000 t. Chilean per capita beer

consumption is expected to remain at about 20 litres (L) per year compared to about 75 L in Canada.

Oilseeds

Oilseed production consists largely of rapeseed. On average, only 20,000-25,000 ha are harvested per year and production is processed domestically due to Chile's relatively small plant capacity. For 2002-2003, rapeseed production is forecast at 60,000 t, near the five year average. About 50,000-60,000 t of soybeans are imported annually from Argentina and crushed domestically. Soybean oil imports have remained unchanged over the last four years at 90,000 t.

Pulse and Special Crops

During the past decade, Chile's production of pulse and special crops decreased significantly and imports increased. Dry peas and lentils, for example, were previously grown domestically in fairly large quantities but are now mostly imported. The main crop is dry beans with production of 50,000-60,000 t. Imports of canary seed, which Chile has never produced in any significant quantity, have also increased considerably during the past decade.

For special crops, Chile's total imports of **lentils** have been relatively stable during the last three years with about 17,000 t imported in 2001-2002. Canada's share of the imports has been trending upwards and reached 11,000 t in 2000-2001, mostly large green lentils. Canada's exports of lentils are expected to fall to 8,000 t in 2002-2003 due to lower Canadian lentil supplies.

Total imports of **dry peas** have been stable. In 2001-2002, imports totalled 7,000 t, with 3,000 t from Canada. For 2002-2003, Canadian dry pea exports to Chile are forecast to be unchanged at 3,000 t. Chile's total imports of **canary seed** have been flat with 4,000 t imports in the last two years. Canada is the main

supplier of canary seed with exports of 3,000 t in 2001-2002. For 2002-2003, Canadian canary seed exports to Chile are forecast to remain unchanged at 3,000 t.

Medium-Term Outlook

Over the medium-term, assuming that Canadian grain, pulse and special crop production recovers from the drought conditions of the past two years, Canadian exports of wheat, durum, malt, pulse and special crops to Chile are expected to return to levels similar to 1998-1999 and 1999-2000. Canada does not currently export any oilseeds or products to Chile. However, over the medium-term, the prospect of canola oil exports to Chile is a possibility.

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CANADA: GRAINS AND OILSEEDS OUTLOOK

FEBRUARY 5, 2003

For 2002-03, total production of grains and oilseeds decreased by 17% from 2001-02 to about 42 million tonnes (Mt) due to one of the worst droughts on record in parts of western Canada. Total Canadian exports are expected to be significantly below 2001-02 and, despite a major increase in imports, carry-out stocks are expected to decrease significantly from 2001-02. Canadian and world grain and oilseed prices have increased substantially from a year ago, and are expected to average well-above 2001-02. However, world wheat prices have declined from the peak reached last fall, due mainly to large exports from non-traditional exporters, such as Ukraine and Russia, and the resumption of EU export subsidies in December.

For 2003-04, area seeded to most major grains and oilseeds in western Canada is expected to increase due to strong prices in 2002-03, with the largest increases being to spring wheat, barley and canola, while summerfallow and special crop areas decrease. Actual seeded area will be highly dependent on spring precipitation, as subsoil moisture levels remain low across much of the Prairies. In eastern Canada, area seeded to wheat is expected to increase while the area seeded to corn and soybeans decreases. Total production of grains and oilseeds in Canada is forecast by AAFC to increase to 62 Mt, almost 20 Mt above the drought-reduced 2002 crop. The forecast assumes slightly below-normal yields due to current low subsoil moisture conditions in Saskatchewan and Alberta. The higher production will be partly offset by low carry-in stocks and a significant decrease in corn imports. Total exports are forecast to increase by 56%, to 24 Mt.

World wheat and durum prices are expected to decline sharply from 2002-03 due to higher US and world production. World coarse grain prices are expected to be lower than in 2002-03, as US corn production is forecast to increase. Oilseed prices are expected to decrease due to increased world oilseed supplies, especially US and South American soybeans. For most major crops, domestic support programs in the US and EU are expected to continue to encourage high production, which will pressure prices. The major factors to watch are growing conditions in the major importing and exporting regions and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2002-03, due to significantly lower supplies, exports are forecast to fall by 50%, to 6.3 Mt, the lowest level since 1956-57. Feed use is expected to increase due to increased supplies of low quality wheat and reduced barley supplies. Carry-out stocks are forecast to fall by 29%, to 3.5 Mt, the lowest recorded in modern times.

For 2003-04, production is projected to rise by 74%, to 20.8 Mt, slightly below the 10-year average, due to increased seeded area, lower abandonment and higher yields. Exports are forecast to nearly double, to 12.2 Mt. Feed use is expected to decline slightly, assuming a return to normal crop quality. Carry-out stocks are expected to increase to 5.0 Mt, but remain below the 10-year average of 6.4 Mt. The Canadian Wheat Board (CWB) pool return for No.1 CWRS 11.5% protein is forecast by AAFC at \$228/t, in-store Vancouver/St. Lawrence (I/S VC/SL), vs. the CWB 2002-03 January Pool Return Outlook (PRO) of \$271/t. Ontario wheat production is forecast to increase by 55%, to a record 2.1 Mt, due to increased area. The Ontario Wheat Producers' Marketing Board's pool return for No.1 CEWW wheat is forecast by AAFC at \$135/t, landed basis, about \$30/t below 2002-03.

DURUM

For 2002-03, exports are forecast to decline by 8%, due to increased competition from other exporters and a good crop in North Africa. Carry-out stocks are forecast to fall by 39%, to 1.0 Mt.

For 2003-04, production is expected to rise sharply, due to reduced abandonment and a return to normal yields. Despite reduced carry-in stocks, supplies are projected to increase by 12%. Exports, however, are forecast to increase by only 4%, due to stable world demand, and strong competition from other exporters. As a result, carry-out stocks are projected to rise by about 50%. CWB pool returns for No.1 CWAD 11.5% protein are forecast by AAFC to decline to \$238/t, I/S VC/SL, \$42/t below the 2002-03 PRO.

BARLEY

For 2002-03, malting barley exports are forecast to fall to a ten year low due to low supplies, poor quality, and high feed grain prices. Feed barley exports are expected to be negligible. Carry-out stocks are forecast to fall to the lowest level of recent times.

For 2003-04, production is forecast to increase due to a larger seeded area, lower abandonment and higher yields. Larger supplies are expected to result in increased feed use, and reduced need for corn imports. Exports of malting barley are forecast to increase to near-normal levels, while feed barley exports are expected to increase but remain low. Carry-out stocks are forecast to increase. Off-Board feed barley prices are expected to decrease. The CWB pool return for No.1 CW Feed Barley is forecast by AAFC at \$165/t, I/S VC/SL, vs. the 2002-03 PRO of \$177/t. The CWB pool return for Special Select 2 Row Designated barley is forecast by AAFC to decrease to \$215/t vs. the 2002-03 PRO of \$252/t, due to increased world supplies.

OATS

For 2002-03, exports are forecast to fall due to lower supplies. Carry-out stocks are expected to decrease.

For 2003-04, production is forecast to rise sharply, due to higher seeded area, lower abandonment, and higher yields. Exports are expected to increase and carry-out stocks are expected to rise. The price is forecast to fall by about 33% to \$145/t.

CORN

For 2002-03, imports are forecast to increase to a new record due to reduced barley production in western Canada. Carry-out stocks are expected to increase because of higher production in eastern Canada.

For 2003-04, production is forecast to be similar to 2002-03, as lower area seeded is projected to be offset by slightly higher yields. Imports are expected to fall sharply due to higher barley production in western Canada. Carry-out stocks are projected to decrease slightly. The average Chatham price is forecast to decrease to \$130/t due to lower US corn prices.

CANOLA

For 2002-03, exports and domestic crush are expected to decrease significantly due to lower supplies. Carry-out stocks are expected to decline considerably.

For 2003-04, production is forecast to increase by about 60% due to higher seeded area and near-normal yields. Supplies are forecast to increase, resulting in higher exports and domestic crush. Carry-out stocks are expected to increase, but remain low. The price of canola is forecast to decrease to \$390/t, I/S Vancouver, from \$440/t in 2002-03, due largely to increased world oilseed production.

FLAXSEED (excluding solin)

For 2002-03, exports are expected to increase due to strong demand, and carry-out stocks are forecast to decrease. For 2003-04, production is forecast to rise due to increased seeded area and higher yields. Exports are projected to rise due to continued strong demand from the EU. Prices are forecast to fall by about 10%, to \$380/t, I/S Thunder Bay, due to increased supplies.

SOYBEANS

For 2002-03, imports are expected to decrease considerably. Domestic use and exports are forecast to increase due to increased supplies. Carry-out stocks are projected to decrease.

For 2003-04, production is forecast to increase as higher yields more than offset the drop in seeded area. Domestic use is projected to remain stable while exports increase. The average price of soybeans is forecast to fall to \$290/t, I/S Chatham, from \$310/t in 2002-03, due to higher soybean production in the US and South America.

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CANADA: GRAINS AND OILSEEDS OUTLOOK

FEBRUARY 5, 2003

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use	Feed, Waste & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----											
Durum											
2001-2002	2,036	1.47	2,987	12	5,871	3,628	249	126	613	1,631	260.43
2002-2003f	2,165	1.72	3,714	10	5,355	3,350	250	525	1,005	1,000	280 *
2003-2004f	2,390	2.08	4,970	10	5,980	3,500	250	510	980	1,500	238
Wheat Except Durum											
2001-2002	8,550	2.06	17,581	85	24,452	12,580	2,792	3,393	6,971	4,901	207.16
2002-2003f	6,428	1.86	11,976	225	17,102	6,300	2,800	3,657	7,302	3,500	271 *
2003-2004f	8,505	2.44	20,790	150	24,440	12,200	2,840	3,545	7,240	5,000	228
All Wheat											
2001-2002	10,585	1.94	20,568	97	30,323	16,207	3,041	3,519	7,584	6,532	
2002-2003f	8,593	1.83	15,690	235	22,457	9,650	3,050	4,182	8,307	4,500	
2003-2004f	10,895	2.36	25,760	160	30,420	15,700	3,090	4,055	8,220	6,500	
Barley											
2001-2002	4,150	2.61	10,846	112	13,473	1,758	306	8,968	9,723	1,993	158.60
2002-2003f	3,267	2.23	7,283	250	9,526	800	300	6,671	7,426	1,300	175-195
2003-2004f	4,380	2.95	12,915	40	14,255	2,200	300	9,300	10,055	2,000	135-165
Corn											
2001-2002	1,267	6.62	8,389	3,882	13,151	193	2,285	9,583	11,903	1,056	132.90
2002-2003f	1,288	7.04	9,065	4,300	14,421	300	2,425	10,361	12,821	1,300	140-160
2003-2004f	1,250	7.24	9,055	2,000	12,355	300	2,600	8,145	10,780	1,275	115-145
Oats											
2001-2002	1,238	2.17	2,691	53	3,598	1,409	118	1,498	1,824	365	202.19
2002-2003f	1,298	2.12	2,749	15	3,129	1,200	150	1,211	1,579	350	205-225
2003-2004f	1,590	2.35	3,740	5	4,095	1,675	150	1,561	1,920	500	130-160
Rye											
2001-2002	123	1.85	228	4	309	62	39	144	198	49	
2002-2003f	77	1.74	134	5	188	45	38	57	113	30	
2003-2004f	167	2.19	365	5	400	85	67	150	235	80	
Mixed Grains											
2001-2002	159	2.80	447	0	447	0	0	447	447	0	
2002-2003f	132	2.72	359	0	359	0	0	359	359	0	
2003-2004f	165	2.82	465	0	465	0	0	465	465	0	
Total Coarse Grains											
2001-2002	6,937	3.26	22,600	4,051	30,978	3,422	2,748	20,639	24,093	3,462	
2002-2003f	6,062	3.23	19,589	4,570	27,622	2,345	2,913	18,659	22,298	2,979	
2003-2004f	7,552	3.51	26,540	2,050	31,569	4,260	3,117	19,621	23,455	3,854	
Canola											
2001-2002	3,765	1.31	4,926	226	6,240	2,524	2,293	176	2,502	1,215	357.45
2002-2003f	2,857	1.25	3,577	150	4,942	2,200	2,000	197	2,242	500	425-455
2003-2004f	4,225	1.37	5,780	100	6,380	2,750	2,500	335	2,880	750	375-405
Flaxseed excluding Solin											
2001-2002	662	1.08	715	24	998	618	n/a	n/a	191	189	319.77
2002-2003f	633	1.07	679	25	893	625	n/a	n/a	173	95	410-440
2003-2004f	711	1.26	895	15	1,005	700	n/a	n/a	190	115	365-395
Soybeans											
2001-2002	1,069	1.53	1,635	982	2,803	495	n/a	n/a	2,136	172	269.01
2002-2003f	1,024	2.28	2,335	450	2,957	600	n/a	n/a	2,217	140	295-325
2003-2004f	993	2.67	2,648	250	3,038	650	n/a	n/a	2,238	150	275-305
Total Oilseeds											
2001-2002	5,495	1.32	7,277	1,233	10,041	3,637	n/a	n/a	4,828	1,576	
2002-2003f	4,514	1.46	6,591	625	8,792	3,425	n/a	n/a	4,632	735	
2003-2004f	5,929	1.57	9,323	365	10,423	4,100	n/a	n/a	5,308	1,015	
Total Grains And Oilseeds											
2001-2002	23,018	2.19	50,444	5,381	71,342	23,266	n/a	n/a	36,505	11,570	
2002-2003f	19,169	2.18	41,871	5,430	58,871	15,420	n/a	n/a	35,237	8,214	
2003-2004f	24,376	2.53	61,623	2,575	72,412	24,060	n/a	n/a	36,983	11,369	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use. **For flaxseed and soybeans, food/industrial use and feed/waste/dockage are included in the total domestic use, but are not listed due to data confidentiality.**

(e) Crop year average prices: No.1 CWRS and No.1 CWAD (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* January 2003 CWB Pool Return Outlook (PRO). Note: Prices for No. 1 CWRS and No. 1 CWAD with 11.5% protein for 2000-01 to 2003-04.

This is comparable to prices for previous years, as protein premiums have been expanded to include all wheat and durum with 11% or more protein.

f: forecast, Agriculture and Agri-Food Canada, February 5, 2003

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

FEBRUARY 5, 2003

For 2002-03, total production of pulse and special crops in Canada decreased by 25% to 2.78 million tonnes (Mt), largely because of drought in central and northern regions of Saskatchewan and Alberta. The average quality of the dry pea, lentil, chick pea, mustard seed and sunflower seed crops was lower than normal because of significant damage from frost, rain and disease. Despite lower exports and domestic use, carry-out stocks are expected to fall sharply. Average prices, over all types, grades and markets, are forecast to increase from 2001-02 for dry peas, lentils, canary seed, sunflower seed and buckwheat, but decrease for dry beans, chick peas and mustard seed.

For 2003-04, total area seeded to pulse and special crops in Canada is forecast to decrease by 4% because net returns, in some cases, are expected to be lower than for competing crops and because of expected shortages of seed for some crops. It is assumed that precipitation will be normal for the winter, spring and summer. However, for western Canada, due to the current dry conditions in many areas, yields are forecast to be below trend but, in general, significantly higher than in 2002-03. For eastern Canada, trend yields are assumed. It has been assumed that the abandonment rate will return to normal and an increased portion of the area seeded will be harvested. It has also been assumed that the average crop quality will return to normal. Total Canadian production is forecast to increase by 49% to 4.12 Mt. Total supply is expected to increase by 27% to 4.45 Mt. Exports and domestic use are forecast to increase in line with the higher supplies. Carry-out stocks are expected to remain low. Average prices, compared to 2002-03, are forecast to decrease for most crops, but increase for dry beans and chick peas, and be stable for buckwheat. However, prices are expected to be very sensitive to any production problems due to low world carry-in stocks for most crops. The main factor to watch will be precipitation during the rest of the winter and, especially, during the spring in Western Canada. If the dry conditions persist in parts of western Canada, the area seeded to small seed crops, such as mustard seed and canary seed, could be lower than is currently forecast.

DRY PEAS

For 2002-03, due to lower production and supply, Canadian exports are forecast to decrease. The average price is forecast to increase, compared to 2001-02, as carry-out stocks decrease to a low level.

For 2003-04, the area seeded is forecast to be similar to 2002-03. Production and supply are forecast to increase significantly due to expected higher yields and lower abandonment. World supply is expected to increase by 13% to 10.8 Mt because of higher production in Canada, the EU and Australia, but this is expected to be offset by increased use. Carry-out stocks in Canada are forecast to remain low. The average price, compared to 2002-03, over all types, grades and markets, is forecast to decrease.

LENTILS

For 2002-03, due to lower production and supply, Canadian exports are forecast to decrease. Carry-out stocks are forecast to fall to a very low level and the average price is forecast to increase.

For 2003-04, the seeded area is forecast to be similar to 2002-03. Production and supply are forecast to increase significantly due to expected higher yields and lower abandonment. World supply is forecast to increase by 5% to 3.4 Mt, due mainly to higher Canadian production. Canadian exports are expected to increase, as Canada's share of world supply increases. Carry-out stocks are forecast to increase slightly, but remain low. The average price, over all types and grades, is forecast to decrease.

DRY BEANS

For 2002-03, production and supply increased significantly in Canada and the US. Canadian exports are forecast to increase because of higher supply and lower prices. Carry-out stocks are expected to increase, with a stocks-to-use (s/u) ratio of 15% and the average price is forecast to decrease.

For 2003-04, area seeded is forecast to decrease by about 25%. Production and supply are expected to decrease significantly. Production and supply are also forecast to decrease in the

US. Canadian exports are forecast to decrease due to the lower supply. Carry-out stocks are expected to decrease to a low level. The average price, over all classes and grades, is forecast to increase.

CHICK PEAS

For 2002-03, due to lower production and supply, Canadian exports are forecast to decrease. Carry-out stocks are forecast to decrease to a low level. The average price is forecast to decrease because of lower average quality and a shift away from the production of the higher priced large kabuli type.

For 2003-04, the area seeded is forecast to decrease by about 30%, with a shift in production to the desi type, due to the high risk of producing the kabuli type. Although production is expected to increase slightly, supply is forecast to decrease sharply due to lower carry-in stocks. World supply is expected to increase slightly to 8.0 Mt. Canadian exports are forecast to decrease due to the lower supply. Carry-out stocks are expected to remain low. The average price, over all types, grades and sizes, is forecast to increase due to higher expected quality.

MUSTARD SEED

For 2002-03, due to lower supply, exports are forecast to decrease. Carry-out stocks are expected to decrease to a very low level and the average price is forecast to decrease, as lower prices for the yellow type more than offset higher prices for the brown and oriental types.

For 2003-04, area seeded is expected to be similar to 2002-03. Production and supply are forecast to increase significantly due to expected higher yields and lower abandonment. Although exports are expected to rise, carry-out stocks are also forecast to increase, with a s/u ratio of 7%. The average price, over all types and grades, is expected to decrease.

CANARY SEED

For 2002-03, due to higher production and supply, Canadian exports are forecast to increase. Carry-out stocks are expected to decrease, with a

s/u ratio of 11%. The average price is forecast to increase due to stronger demand.

For 2003-04, area seeded is expected to be similar to 2002-03. Production and supply are forecast to increase significantly due to expected higher yields and lower abandonment. World supply is forecast to increase by 30% to 320,000 t. Canadian exports are expected to increase in line with the higher supply. Carry-out stocks are forecast to increase, with a s/u ratio of 26%. The average price is forecast to decrease.

SUNFLOWER SEED

For 2002-03, due to higher production and supply, Canadian exports and domestic use are expected to increase. Carry-out stocks are forecast to decrease, with a s/u ratio of 11%. The average price is forecast to increase.

For 2003-04, area seeded is expected to decrease by about 10%. Production and supply are also forecast to decrease. World supply is expected to increase by 3% to 24.7 Mt, due to higher production of the oilseed type. Canadian exports and domestic use are expected to decrease slightly due to lower supply. Carry-out stocks are forecast to decrease to a low level. The average price, over both types and all grades, is forecast to decrease because of higher world supply.

BUCKWHEAT

For 2002-03, exports are expected to decrease due to lower supply. The average price, over all grades and markets, is forecast to increase due to the lower supply.

For 2003-04, production is forecast to rise due to an expected return to normal yields. The average price is forecast to be the same as in 2002-03.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

FEBRUARY 5, 2003

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----									
Dry Peas									
1999-2000	835	2.70	2,252	12	2,639	1,417	822	400	135
2000-2001	1,220	2.35	2,864	12	3,276	2,196	885	195	138
2001-2002	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003f	1,050	1.30	1,365	30	1,670	1,000	570	100	205-235
2003-2004f	1,250	1.90	2,380	20	2,500	1,600	800	100	165-195
Lentils									
1999-2000	497	1.46	724	10	794	503	211	80	380
2000-2001	688	1.33	914	5	999	475	268	256	295
2001-2002	664	.85	566	6	828	478	219	131	320
2002-2003f	387	.91	354	5	490	330	150	10	385-415
2003-2004f	585	1.13	660	5	675	470	185	20	365-395
Dry Beans									
1999-2000	154	1.91	294	41	360	260	60	40	500
2000-2001	162	1.65	268	40	348	227	71	50	465
2001-2002	175	1.70	298	42	390	263	97	30	725
2002-2003f	219	1.89	414	20	464	290	114	60	480-510
2003-2004f	168	1.70	285	30	375	275	90	10	545-575
Chick Peas									
1999-2000	139	1.42	197	5	207	56	136	15	390
2000-2001	283	1.37	388	5	408	179	199	30	410
2001-2002	467	.97	455	12	497	190	177	130	380
2002-2003f	154	1.01	156	10	296	175	106	15	330-360
2003-2004f	147	1.19	175	15	205	105	90	10	360-390
Mustard Seed									
1999-2000	273	1.12	306	1	357	170	72	115	285
2000-2001	208	.97	202	1	318	151	62	105	280
2001-2002	158	.66	105	3	213	168	12	33	685
2002-2003f	255	.60	154	5	192	155	27	10	640-670
2003-2004f	278	.83	230	1	241	170	56	15	430-460
Canary Seed									
1999-2000	146	1.14	166	0	276	157	29	90	240
2000-2001	164	1.04	171	0	261	170	21	70	265
2001-2002	164	.70	114	0	184	134	20	30	660
2002-2003f	214	.77	164	0	194	145	29	20	670-700
2003-2004f	265	.92	245	0	265	160	50	55	360-390
Sunflower Seed									
1999-2000	79	1.54	122	19	145	49	55	41	295
2000-2001	69	1.72	119	18	178	77	55	46	320
2001-2002	67	1.55	104	30	180	92	66	22	355
2002-2003f	95	1.65	157	15	194	100	74	20	425-455
2003-2004f	85	1.59	135	20	175	95	70	10	400-430
Buckwheat									
1999-2000	13	1.00	13	1	16	8	7	1	305
2000-2001	15	.93	14	1	16	9	7	0	305
2001-2002	14	1.14	16	1	17	8	8	1	325
2002-2003f	12	1.00	12	1	14	7	7	0	315-345
2003-2004f	12	1.08	13	1	14	7	7	0	315-345
Total Pulse And Special Crops(c)									
1999-2000	2,136	1.91	4,074	89	4,794	2,620	1,392	782	
2000-2001	2,809	1.76	4,940	82	5,804	3,484	1,568	752	
2001-2002	2,994	1.23	3,681	121	4,554	2,714	1,188	652	
2002-2003f	2,386	1.16	2,776	86	3,514	2,202	1,077	235	
2003-2004f	2,790	1.48	4,123	92	4,450	2,882	1,348	220	

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, February 5, 2003

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS																		As of Monday January 27, 2003									
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL 48%	CANOLA MEAL	MILL FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	FEED PEAS	DEHY ALFALFA	FEATHER MEAL										
Vancouver B.C.	This week	FOB	228.16	N/A	208.16	186.00		329.00	282.50	184.00	330.00	900.00	550.00				430.00										
	Week ago		228.16	N/A	208.16	191.00		342.50	(7) 255.50	184.00	325.00	(4) 900.00	550.00				430.00										
Calgary	This week	FOB	205.00	N/A	185.00	174.00		324.50	N/A		290.00	950.00	585.00				430.00										
Alta	Week ago		205.00	N/A	185.00	174.00		326.00	N/A		290.00	(4) 950.00	585.00				430.00										
Saskatoon	This week	FOB	182.50	230.00	172.50	172.00		318.50	245.00		290.00	N/A	585.00		198.33		460.00										
Sask.	Week ago		184.00	245.00	163.50	176.00		318.75	235.00		290.00	(4) N/A	585.00		191.67		460.00										
Melfort Sask.	This week	FOB	N/A	N/A	N/A																						
	Week ago		N/A	N/A	N/A																						
Winnipeg	This week	FOB	186.00	215.00	175.50	158.00		301.00	235.00		295.00	925.00	480.00				450.00										
Man.	Week ago		184.50	(9)215.00	179.50	164.00		312.75	225.00		295.00	(4) 925.00	480.00				450.00										
Thunder Bay	This week	In-store	190.10	N/A	197.55	N/A																					
	Week ago		(8)201.5	N/A	(8)200.10	N/A																					
Lake Ports USA	This week	On Board Vessel				157.46																					
	Week ago					154.23																					
Bay Ports Ont.	This week	In-store	217.10	330.00	N/A																						
	Week ago		227.10	330.00	N/A																						
Chatham Ont.	This week	Track				159.64																					
	Week ago					164.56																					
Toronto Ont.	This week	N/A					FOB				287.00	N/A	475.00	420.00	159.00	285.00	375.00										
	Week ago	N/A									296.00	(5) N/A	485.00	510.00	130.00	285.00	375.00										
Hamilton Ont.	This week						FOB	297.73	N/A																		
	Week ago							299.72	N/A																		
Eastern Ontario	This week	FOB				164.00																					
	Week ago					165.50																					
London Ont.	This week	FOB																									
	Week ago																										
Port Colborne Ont.	This week	FOB								143.00																	
	Week ago									148.00																	
Cardinal Ont.	This week	FOB																									
	Week ago																										
Montreal Que.	This week							321.68	267.37	163.17	298.00	850.00	457.00	420.00	159.00	268.00	370.00										
	Week ago						FOB	320.96	269.08	165.50	298.00	(5) 850.00	457.00	520.00	130.00	268.00	370.00										
Trois-Riv. Que.	This week	In-store	223.10		N/A	172.24																					
	Week ago		233.10		N/A	173.51																					
St-Jean Que.	This week	FOB	202.70	215.00	165.50	167.51		339.07																			
St-Hyacinthe Que.	Week ago		203.37	216.25	177.48	(2) 168.61		338.79																			
Quebec Que.	This week	In-store	206.07		200.67	174.41		319.49																			
	Week ago		204.87		213.40	177.66	FOB	317.43																			
Truro N.S.	This week	Track	254.30	N/A	240.42	203.93		346.29	N/A								350.00										
	Week ago		255.24	N/A	240.82	208.28	FOB	344.80	N/A								370.00										
Truro N.S.	This week	Water & Truck	257.70	N/A	N/A	188.50																					
	Week ago		N/A	N/A	N/A	205.40																					
Halifax N.S.	This week	In-store	N/A	N/A	N/A	189.50																					
	Week ago		N/A	N/A	N/A	197.40																					
	Week ago											1050.00															
	Week ago											(6)1050.00															
Source: Market Analysis Division, Agriculture and Agri-Food Canada, Contact: Doris Pelletier, A/Statistical Clerk Tel: (204) 983-0581 Fax: (204) 983-5524 N/A = not available US \$1.00=Cdn 1.5221 as of January 24, 2003																											
Thunder Bay prices are based on the Winnipeg Commodities Exchange market close																											
Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat , No.1 Feed Oats , No.1 or 2 Canada Western or Eastern Barley, No.2 Canada Yellow Corn , No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein , Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.																											
(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast (63% Protein) (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Cash Price WCE (9) 3CW																											

Source: Market Analysis Division, Agriculture and Agri-Food Canada, Contact: Doris Pelletier, A/Statistical Clerk Tel: (204) 983-0581 Fax: (204) 983-5524 N/A = not available US \$1.00=Cdn 1.5221 as of January 24, 2003

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Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat. No. 1 Feed Oats, No. 1 or 2 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein, Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Cash Price WCE (9) 3CW

B. CASH PRICES AND REPLACEMENT VALUES				As of Monday January 27, 2003				
PRAIRIE GRAINS								
SELECTED POINT		PRICE BASIS		THIS WEEK	WEEK AGO	MONTH AGO	YEAR AGO	
From:	Thunder Bay 2	In-Store	WHEAT	195.00	200.10		201.60	169.70
	CBOT		OATS	204.25	217.75		N/A	247.61
	LETHBRIDGE		BARLEY	176.00	176.70		178.00	162.20
To:	Bayports, Ont.	In-store	WHEAT	218.61	223.71	1	225.21	192.80
			OATS	N/A	N/A		205.39	189.35
			BARLEY	203.39	204.09	1	N/A	N/A
	Montreal, Que.	In-store	WHEAT	223.03	228.13	1	229.63	197.55
			OATS	N/A	N/A	1	N/A	N/A
			BARLEY	208.31	209.01	1	210.31	194.47
	Moncton, N.B	Truck via Halifax	WHEAT	245.25	250.35		251.85	220.02
			OATS	N/A	N/A		N/A	N/A
			BARLEY	232.50	233.20		234.50	220.83
	Truro, N.S.	Truck via Halifax	WHEAT	239.22	244.32		245.82	217.52
			OATS	N/A	N/A		N/A	N/A
			BARLEY	230.00	230.70		232.00	215.95
	Halifax, N.S.	In-store	WHEAT	230.28	235.38	1	236.88	204.85
			OATS	N/A	N/A	1	N/A	N/A
			BARLEY	216.30	217.00	1	218.30	202.27
	Stephenville, Nfld.	Track / Truck via Sydney	WHEAT	293.63	298.73		300.23	264.63
			OATS	N/A	N/A		N/A	353.81
			BARLEY	N/A	N/A		N/A	269.34
From:	Melfort, Sask.	FOB	WHEAT	N/A	N/A		N/A	159.70
			OATS	N/A	N/A		N/A	228.82
			BARLEY	N/A	N/A		N/A	148.60
To:	Bayports, Ont.	Track	WHEAT	N/A	N/A		N/A	208.85
			OATS	N/A	N/A		N/A	285.71
			BARLEY	N/A	N/A		N/A	198.30
	Montreal, Que.	Track	WHEAT	N/A	N/A		N/A	209.61
			OATS	N/A	N/A		N/A	289.43
			BARLEY	N/A	N/A		N/A	199.12
	Moncton, N.B.	Track	WHEAT	N/A	N/A		N/A	237.89
			OATS	N/A	N/A		N/A	313.71
			BARLEY	N/A	N/A		N/A	N/A
	Truro, N.S.	Track	WHEAT	N/A	N/A		N/A	236.08
			OATS	N/A	N/A		N/A	314.72
			BARLEY	N/A	N/A		N/A	N/A
	Stephenville, Nfld	Track / Truck via Sydney	WHEAT	N/A	N/A		N/A	283.14
			OATS	N/A	N/A		N/A	364.00
			BARLEY	N/A	N/A		N/A	N/A

SELECTED POINT	PRICE BASIS		THIS WEEK	WEEK AGO		MONTH AGO	YEAR AGO
CORN							
From: US Lake Ports	On Board Vessel		157.46	154.23		159.15	132.74
To: Montreal, Que. (US Corn)	In-store		176.50	173.27	1	178.19	151.64
From: Chicago (Mi)	Track		151.23	150.57		154.21	122.11
To: Montreal, Que. (US Corn)	Track		180.09	179.43		183.07	149.65
From: Chatham	Track		159.64	164.46		166.43	142.41
To: Montreal, Que.	Track		183.44	188.26		190.23	165.30

SOYMEAL 48 PERCENT PROTEIN							
From: Hamilton, Ont.			297.73	299.72		306.33	336.86
To: Montreal, Que.	Track		322.06	324.05		330.66	359.33
Moncton, N.B.	Track		340.81	342.80		349.41	376.64
Truro, N.S.	Track		344.03	346.02		352.63	379.61
Stephenville, Nfld.	Track / Truck via Sydney		392.66	394.65		401.26	428.87

1. Prices include ONE month of storage and interest charges n/a = not available
2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Market Analysis Division, Agriculture and Agri-Food Canada
Contact: Doris Pelletier, A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec. Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.

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Bi-weekly Bulletin

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MUSTARD SEED: SITUATION AND OUTLOOK

Canada is the dominant exporter and it is normally the second largest producer of mustard seed in the world. The value of Canadian mustard seed exports reached \$93 million in 2001-2002. Although the Canadian seeded area for 2003-2004 is expected to be similar to 2002-2003, total production, including yellow, brown, and oriental types, is forecast to increase, assuming normal growing conditions, lower abandonment and higher yields. Average prices are expected to decrease from 2002-2003, but remain relatively high compared to historical levels. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for mustard seed.

WORLD

Production and Trade

India produces the bulk of world mustard seed. However production data for India, as well as two other significant producers, Pakistan and Bangladesh, is not available since these countries combine the production data for mustard seed and rapeseed. Unofficial estimates for mustard seed production in these countries are about 2.5 million tonnes (Mt) for India and about 150,000 tonnes (t) each for Pakistan and Bangladesh. Mustard seed produced in India, Pakistan and Bangladesh, as well as in other Asian countries, is mainly crushed for oil. Excluding these three countries, mustard seed production has increased from 357,000 t in 1991-1992 to a peak of 592,000 t in 1999-2000. Production dropped sharply during the next two years, mainly because of lower production in Canada, to a low of 360,000 t for 2001-2002, before increasing to 466,000 t for 2002-2003.

Mustard seed exports have increased from 180,000 t in the early 1990s to a peak of 284,000 t in 1996. Exports were 226,000 t in 2001, the latest year for which world trade statistics are available. Canada dominates world mustard seed exports, accounting for about 70% of total world exports. Exports from the Netherlands and Germany are re-exports of imported seed. The only other significant exporters are the Czech Republic, Hungary and Russia. The top five importing countries, Bangladesh, the United States (US), Germany, France and

Netherlands, account for about 80% of world imports.

CANADA

Production

The three types of mustard seed produced in Canada are yellow (*Sinapis alba*), brown, and oriental (both *Brassica juncea*). Mustard seed can be grown on most soil types, but is best adapted to the brown and dark brown soils. Soils prone to crusting and dry, sandy soils are not recommended. All mustard seed types tolerate drought conditions better than canola. Mustard seed fits well in a rotation with cereal grains. Yellow mustard seed requires 90-92 days to mature, brown 85 days and oriental 86-88 days. Seedlings are quite tolerant of frost. Therefore, early seeding is recommended to avoid flowering during the hottest part of the summer, thereby improving yields.

Canadian mustard seed production has been variable during the past 10 years, ranging from a low of 105,000 t in 2000-2001 to a high of 319,000 t in 1994-1995. For 2001-2002 and 2002-2003, average yields were lower than normal and abandonment rates were higher than normal due to drought in most growing areas. However,

production increased in 2002-2003, as compared to 2001-2002, due to a sharply higher seeded area. Saskatchewan dominates Canadian mustard seed production with 81% of the production in 2002-2003, followed by Alberta at 12% and Manitoba at 7%.

Production by type varies from year to year depending on price prospects for each type of mustard seed. For 2002-2003, production increased from 2001-2002 for all three types. Oriental mustard seed generally has the

WORLD: MUSTARD SEED PRODUCTION

	1999 -2000	2000 -2001	2001 -2002	2002 -2003	2003 -2004f
.....thousand tonnes.....					
Canada*	306	202	105	154	230
Nepal	120	123	132	135	125
United States**	22	17	19	56	65
Russia	43	33	28	28	30
Myanmar	13	21	30	30	25
Czech Republic	45	14	19	34	25
China	20	25	13	13	15
Romania	8	1	4	4	4
Germany	4	4	4	4	4
Slovakia	5	2	2	3	3
Other	6	4	4	5	5
World	592	446	360	466	531

Note: India, Pakistan and Bangladesh are important producers, but mustard seed production data for these countries is not available as it is combined with rapeseed production data.

f: forecast, AAFC, February 2003

Source: FAO, except *Statistics Canada, **USDA - February 2003



Canada

highest yield. The yields of brown and yellow mustard seed are about 5% and 20% lower than oriental, respectively. Since the costs of production are similar for all types, prices for brown mustard seed have to be about 5% higher and for yellow mustard seed about 25% higher compared to oriental mustard seed to encourage production of the brown and yellow types rather than the oriental type.

The quality of the 2002-2003 crop was lower than normal. According to a survey conducted by Saskatchewan Agriculture, Food and Rural Revitalization, about 44% of the mustard seed in that province graded 1 Canada (normally 78%), 32% graded 2 Canada (16%), 16% graded 3 Canada (4%) and 8% graded 4 Canada and Sample (2%).

Uses

Mustard seed is a nutritious food ingredient. Its high protein content of 28-36% is of particular interest when used in processed meats. The oil in mustard seed inhibits growth of certain yeasts, molds and bacteria, which enables mustard seed to function as a natural preservative and extends the shelf life of finished foods.

Yellow mustard seed is suitable for a wide range of applications, including dry milling for flour, wet milling for mustard pastes, and whole ground seed for spice mixes, meat processing and other food products. It is the type of mustard seed used for processing into the North American hot dog mustard, which uses the whole seed for a milder product. In processed meats, it is used as a binder and a protein extender, and to enhance the flavour. It is also used in mayonnaise and salad dressings. Dry milled flour is used for condiments and as an ingredient in compounded products. Since there are several varieties of yellow mustard seed grown in Canada, there is a range of mucilage contents available, allowing processors to blend varieties to reach a standard viscosity. Mucilage is a gummy substance found in the seed coat of yellow mustard seed. It absorbs water, keeps meat dry and is a binding and thickening agent in meat and soup. Yellow mustard seed can also be ground for use as an ingredient for the prepared meat industry, where it contributes to total protein. As well, the gelling of the mucilage increases water absorption into the product, which provides enhanced economy and improved efficiency in the smooth moulding of shaped products. Heat inactivated (spice heat removed) whole ground seed is used as an ingredient in many food products providing colour, flavour, viscosity and emulsification. The oil content of yellow mustard seed is about 27%.

Brown mustard seed is ground into flour which is used to produce a hot mustard used in

European products. The flour is also used in mayonnaise, salad dressing and sauces. The oil content of brown mustard seed is about 36%.

Canadian oriental mustard seed varieties have been bred for specific levels of oil and volatility to meet alternative market requirements. High volatility, high oil content oriental mustard seed varieties are suitable for the oilseed demand in the Indian sub-continent, while low volatility, low oil content mustard seed varieties are suitable for dry milling purposes. Stronger flavoured oriental mustard seed varieties are also available if the miller or processor requires it. There are oriental mustard seed varieties grown in Canada that have oil contents as high as 50%, although the average oil content is about 39%.

Marketing

All of the mustard seed produced in Canada is sold on the open market to dealers. There are about twenty dealers across the Prairie provinces who buy, clean, and ship mustard seed to domestic and export markets. Mustard seed is shipped both bulk and in containers, depending on the volume shipped and the destination. Deliveries to domestic and US customers are in bulk in trucks or in containers which are carried by trucks or trains. Some mustard seed is grown under production contracts, which guarantee a price for part of the production, and the rest is sold on the spot market.

The Saskatchewan Mustard Growers' Association was formed to advance the production of mustard seed and promote the industry.

The Canadian Special Crops Association (CSCA) (www.specialcrops.mb.ca) establishes trade rules and serves as a forum for exporters, dealers and brokers involved in the industry of trading Canada's pulse and special crops, including mustard seed.

The Canadian Grain Commission administers quality control standards for mustard seed. There are four grades for each type of mustard seed. In addition, mustard seed can be graded "Sample" if it does not meet the specifications for the four grades. Top grades of mustard seed are obtained when seeds are well matured, have good colour with minimal damage, and

are free of seeds from volunteer canola plants and weeds such as cow cockle. For further information, or to access the Official Grain Grading Guide, please visit the CGC website: (www.grainscanada.gc.ca)

Domestic Use

Canadian domestic use, which includes food, seed, dockage and waste, accounts for about 25% of the total use. There are several processors of mustard seed in Canada, concentrating on milling seed for its flour and for condiments. Most of the mustard seed processed in Canada is the yellow type, however some brown and oriental types are also milled mainly to be blended with yellow mustard flour for customers who want a spicier product. Statistics on domestic use are not available. Therefore, domestic use is calculated as a residual after deducting exports and carry-out stocks from total supply.

Exports

Canadian mustard seed exports are mainly in the bulk, unprocessed form. Europe (mainly Belgium, Netherlands, Germany, France and the United Kingdom), Asia (mainly Bangladesh, India, Japan, Thailand and South Korea), and the US account for the majority of

WORLD: MUSTARD SEED EXPORTS

<i>calendar year</i>	1997	1998	1999	2000	2001
.....thousand tonnes.....					
Canada*	161	168	160	159	152
Czech Republic	15	12	23	34	17
Germany	7	7	7	11	11
Russia	20	3	3	26	10
Hungary	11	17	13	15	8
Netherlands	13	13	11	9	7
India	1	1	1	1	7
Romania	4	5	3	3	4
United States	3	3	3	2	3
Other	13	4	5	5	7
World	248	233	229	265	226

WORLD: MUSTARD SEED IMPORTS

<i>calendar year</i>	1997	1998	1999	2000	2001
.....thousand tonnes.....					
Bangladesh	45	101	52	57	57
United States	59	55	47	51	49
Germany	29	37	40	46	42
France	31	28	30	31	31
Netherlands	23	19	14	16	16
Japan	10	9	10	9	8
Austria	5	6	6	5	4
Poland	1	3	5	6	4
Other	27	34	37	37	43
World	230	292	241	258	254

The difference between imports and exports is attributed to the timing of delivery and international classification differences.

Source: FAO except * which is Statistics Canada, February 2003

the exports. Europe imports mainly brown mustard seed, Asia mainly oriental and the US mainly yellow.

For 2002-2003, Canadian exports are expected to decrease from 2001-2002 due to lower total supply, as higher production was more than offset by lower carry-in stocks. Although US production increased sharply in 2002-2003, Canadian exports to the US are expected to drop only slightly because of increased demand.

In addition to seed exports, some of the mustard seed flour produced in Canada is exported to the US and other markets.

Prices

Canadian prices are determined on an export basis because Canada exports about 75% of its production. Therefore, they are highly sensitive to the value of the Canadian dollar in foreign markets. Prices of the yellow type are usually higher than for the brown and oriental types. However, since yields of the yellow type are usually lower, earnings per hectare tend to be similar for all three types over the long-term. Since there is no futures market for mustard seed, prices are negotiated directly between the producer, dealer, and customer based on supply and demand factors for each type of mustard seed. The prices negotiated could be for immediate delivery or for delivery at some future date.

For 2002-2003, prices for No. 1 grade brown and oriental mustard seed are expected to average higher than in 2001-2002, because of lower supply of high quality seed for the brown type and higher oil prices for the oriental type. Prices for yellow mustard seed are expected to average lower than in 2001-2002 due to increased production in Canada, the US and Europe. However, the pressure of higher production on No. 1 grade prices is expected to be partly offset by lower average quality in Canada. The price spread between grades has widened for all types due to the lower proportion of No. 1 grade seed.

OUTLOOK

World: 2003-2004

World mustard seed production (excluding India, Pakistan, and Bangladesh) is forecast to increase by 14% from 2002-2003 to 531,000 t, due to higher production in Canada.

Canada: 2003-2004

Area seeded is forecast to be similar to 2002-2003. Although good contract prices and price prospects for 2003-2004 would normally support increased seeded area for mustard seed, the support is expected to be offset by good price prospects for alternate crops, such

as canola, and limited availability of seed for planting. Due to the dry soil conditions in many mustard seed growing areas of western Canada, average yields are forecast to be below trend, but higher than in 2002-2003.

Assuming normal abandonment rates and normal precipitation during the growing season, production is forecast to increase by 50% to 230,000 t. Production is expected to increase for all three types. Assuming normal growing and harvest conditions, average quality is expected to return to normal. Total supply is forecast to increase by 25%, as higher production is partly offset by lower carry-in stocks. Carry-in stocks, mainly low quality seed, are expected to be low for all three types. Exports and domestic use are forecast to increase because of the higher supply. Carry-out stocks are forecast to increase, with a stocks-to-use ratio of 9%.

The higher supply and a return to normal quality are expected to pressure prices, with average prices decreasing for all three types, but remaining relatively high compared to historical levels. The price spreads between

grades are expected to decrease, assuming a return to normal quality. However, prices are expected to be very sensitive to any production problems due to low carry-in stocks.

The main factor to watch is precipitation during the rest of the winter and, especially, during the spring in the growing areas. If surface soil moisture is low during seeding, the area seeded for mustard seed could be lower than forecast. Since mustard seed needs to be planted shallow because of the small seed size, dry soil surface could encourage some shift to larger seed crops, such as wheat, which can be seeded deeper. Precipitation will also be the main factor to watch during the growing season.

Canada: longer-term

There is strong and growing demand for mucilage and plant breeders have responded by developing yellow mustard seed varieties with higher mucilage levels. Two new varieties, Viscount and Andante, have mucilage levels which are about 30% higher than traditional varieties. Work is continuing

CANADA: MUSTARD SEED SUPPLY AND DISPOSITION

August-July crop year	1999 -2000	2000 -2001	2001 -2002	2002 -2003f	2003 -2004f
Seeded Area (000 ha)	280	212	166	289	285
Harvested Area (000 ha)	273	208	158	255	278
Yield (t/ha)	1.12	0.97	0.66	0.60	0.83
.....thousand tonnes.....					
Carry-in stocks	50	115	105	33	10
Production:					
Yellow	76	59	51	78	105
Brown	80	48	21	37	65
Oriental	150	95	33	39	60
Total Production	306	202	105	154	230
Imports	1	1	3	6	1
Total Supply	357	318	213	193	241
Exports	170	151	168	155	170
Total Domestic Use	72	62	12	28	51
Total Use	242	213	180	183	221
Carry-out Stocks	115	105	33	10	20
Stocks-to-Use Ratio (%)	48	49	18	5	9
Harvested Area (000 ac.)	675	514	390	630	687
Yield (lb/ac.)	999	865	589	535	741
Production (Mlb)	675	445	231	340	507
Average producer price *					
Yellow \$/t	287	375	1,080	794	507
\$/lb	0.13	0.17	0.49	0.36	0.23
Brown \$/t	265	243	485	728	441
\$/lb	0.12	0.11	0.22	0.33	0.20
Oriental \$/t	265	220	353	463	397
\$/lb	0.12	0.10	0.16	0.21	0.18

* Saskatchewan, No. 1 CAN grade

f: forecast, Agriculture and Agri-Food Canada, February 2003

Source: Statistics Canada and AAFC

on developing additional varieties. Producers are not likely to receive premiums for growing varieties with high mucilage levels because there is no way to measure mucilage levels at the plant. The only way that premiums for mucilage are possible is through segregation and identity preservation. However, premiums for high mucilage may not always occur even with segregation and identity preservation if the price of yellow mustard seed is too high, because users of mucilage may switch to substitute products, such as guar gum. Higher mucilage levels are expected to increase demand for yellow mustard seed, as marketers promote the value of the product to end users. There could be one side benefit of increased mucilage levels. Since mucilage draws water into the seed, it might help germination.

Demand for mustard seed is expected to increase during the next decade due to increased population, increased use of spices and increased demand for other uses such as mucilage.

A potential additional use of mustard seed could be for biodiesel. Oil crushed from mustard seed can be used in the production of biodiesel, a fuel for compression engines

coming from biological sources. However, the mustard seed oil price would have to be competitive with alternative sources, such as soyoil and canola oil. Therefore, biodiesel might become a market for low quality mustard seed, when the biodiesel industry develops.

Demand is expected to grow from end users for identity preservation (IP) to ensure specific quality characteristics. IP systems ensure traceability of product from the end-user back to the producer. It involves documentation for each step of production, handling and processing, as well as production, handling and processing standards, and auditing. Although there will be extra cost in an IP system, it will be a marketing tool for Canadian mustard seed.

CANADA: MUSTARD SEED EXPORTS

<i>August-July crop year</i>	1999 -2000	2000 -2001	2001 -2002	2002 -2003	2003 -2004 ^f
	.....thousand tonnes.....				
Europe	53	55	67	60	62
Asia	62	44	51	50	60
United States	52	49	47	42	45
South and Central America	2	2	2	2	2
Other*	1	1	1	1	1
Total	170	151	168	155	170

* Middle East, Africa and Oceania

^f: forecast, AAFC, February 2003

Source: Statistics Canada

For periodic updates on the situation and outlook for mustard seed, visit the Market Analysis Division Website for "Canada: Pulse and Special Crops Outlook."

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US FARM SECURITY AND RURAL INVESTMENT ACT OF 2002 (FSRIA)

Under the FAIR Act, the national **loan rate** for mustard seed was US\$0.093/lb. Under the FSRIA, it increased to US\$0.0988/lb for 2002-2003 and to US\$0.1019/lb for 2003-2004. For crop years 2004-2007, the loan rate is expected to fall slightly. These rates are for the top grade and there are discounts of US\$0.01-0.05/lb for lower quality seed. The loan rate varies by county and is highest in North Dakota, where for 2003-2004 it ranges from US\$0.1022-0.1082/lb. In Montana, the loan ranges from US\$0.1003-0.1054/lb. The loan rate provides a floor return because if the price is lower than the loan rate, the producer is eligible for a loan deficiency payment. Mustard seed production in the US is mainly in North Dakota and Montana and nearly all of the production is the yellow type. Average prices by state are not available, but the average national prices paid to producers were US\$0.114, 0.114, 0.101, and 0.121/lb (preliminary) for 1998-1999, 1999-2000, 2000-2001 and 2001-2002, respectively. These prices were above the 2003-2004 loan rate except for 2000-2001, which was slightly below the 2003-2004 loan rate. However, the average price for 2000-2001 was above the loan rate for that year. The current producer prices in North Dakota and Montana are US\$0.18-0.22/lb, well above the loan rate. Mustard seed is eligible for the minor oilseeds **direct payment** of US\$0.008/lb. However, this is based on historical seeded area and yields and is theoretically decoupled from the area seeded during the year of the payout. Mustard seed is eligible for the minor oilseeds **target price** support of US\$0.098/lb for crop years 2002 and 2003, and US\$0.101/lb for crop years 2004 to 2007. However, since the target prices are below the loan rate, they are not significant for mustard seed.

Program payments under the FSRIA are expected to support mustard seed production in 2003-2004, although market prices are expected to be above the loan rate. In the longer term, the program payments will especially encourage mustard seed planting in years when prices are low. Therefore, production will be higher than without program payments, which will pressure Canadian prices.

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Saskatchewan Agriculture, Food and Rural Revitalization, Research Branch (AAFC), Market and Industry Services Branch (AAFC)

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL 48%	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	February 10, 2003	FOB		228.16	N/A	185.00	192.00		332.63	248.75	184.00	325.00	900.00	550.00					430.00
BC	(2) (4) February 3, 2003	FOB		228.16	N/A	185.00	186.00		329.50	262.50	184.00	325.00	900.00	550.00					430.00
Calgary	February 10, 2003	FOB		205.00	N/A	185.00	174.00		323.50	N/A		290.00	950.00	585.00					420.00
AB	(4) February 3, 2003	FOB		205.00	N/A	185.00	174.00		315.33	240.00		290.00	950.00	585.00			193.33		465.00
Saskatoon	February 10, 2003	FOB		184.00	245.00	162.00	174.00		318.00	240.00		290.00	N/A	585.00			193.33		465.00
SK	(4) February 3, 2003	FOB		184.00	245.00	162.00	174.00												
Melfort	February 10, 2003	FOB																	
SK	February 3, 2003	FOB																	
Winnipeg	February 10, 2003	FOB		184.50	215.00	170.50	158.00		302.00	235.00		300.00	925.00	480.00					450.00
MB	(9) (4) February 3, 2003	FOB		186.00	215.00	172.00	158.00		306.00	235.00		300.00	925.00	480.00					450.00
Thunder Bay	February 10, 2003	In-Store		182.50	N/A	166.30													
ON	(8) February 3, 2003	On Board		188.60	N/A	167.80													
Lake Ports	February 10, 2003	Vessel					104.17												
USA	February 3, 2003						103.53												
Bay Ports	February 10, 2003	In-Store		212.00	320.00	N/A													
ON	February 3, 2003	Track		213.10	320.00	N/A													
Chatham	February 10, 2003						161.31												
ON	February 3, 2003						161.31												
Toronto	February 10, 2003	N/A						FOB				288.67	N/A	475.00				285.00	350.00
ON	(5) February 3, 2003	N/A							268.10	N/A		288.67	N/A	475.00				285.00	350.00
Hamilton	February 10, 2003								272.60	N/A									
ON	February 3, 2003																		
Eastern	February 10, 2003	FOB					165.50												
ON	February 3, 2003						164.00												
London	February 10, 2003	FOB																	
ON	February 3, 2003																		
Port Colborne	February 10, 2003	FOB																	
ON	February 3, 2003																		
Cardinal	February 10, 2003	FOB																	
ON	February 3, 2003																		
Montreal	February 10, 2003			N/A	N/A	N/A	N/A		318.65	248.03	150.67	287.00	850.00	457.00	430.00	159.00		268.00	340.00
QC	(5) February 3, 2003	In-Store		219.10	N/A	N/A	N/A	FOB	319.10	253.53	163.17	298.00	850.00	457.00	430.00	159.00		268.00	370.00
Trois-Rivières	February 10, 2003			219.10	N/A	N/A	173.91												
QC	February 3, 2003			196.67	198.00	161.67	167.62		330.42										
St. Jean QC	(2) February 10, 2003	FOB		200.37	197.50	161.67	167.62		337.20										
St. Hyacinthe QC	February 3, 2003			208.00	N/A	213.50	170.00		290.10										
Quebec	February 10, 2003	In-Store		202.00	N/A	204.17	173.39	FOB	298.99										
QC	February 3, 2003			247.07	230.00	238.33	203.89		337.89	291.28									
Truro	February 10, 2003	Track		251.67	230.00	240.07	202.96	FOB	337.72	290.95									
NS	February 3, 2003	Water		N/A	N/A	N/A	199.70												
Truro	February 10, 2003	Truck		N/A	N/A	N/A	198.00												
NS	February 3, 2003	In-Store		N/A	N/A	N/A	190.70												
Halifax	February 10, 2003			N/A	N/A	N/A	189.00												
NS	(6) February 3, 2003																		

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodities Exchange market close/US\$1.00=CAN\$1.5221 closing date February 7, 2003
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Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat. No. 1 Feed Oats. No. 1 Canada Western or Eastern Barley. No. 2 Canada Yellow Corn. No. 3 US Yellow Corn unless otherwise specified.
Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein. Fish Meal: white fish and/or herring meal.
Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley Cash Price WCE (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

February 10, 2003

PRAIRIE GRAINS

Selected Points	Price Basis		This week 10-Feb	Week ago 3-Feb		Month ago 13-Jan	Year ago 11-Feb
From: Thunder Bay 2	In-Store	Wheat	191.00	195.00		200.10	172.50
CBOT		Oat	204.25	204.25		N/A	N/A
Lethbridge		Barley	173.50	176.00	1	176.70	158.00
To: Bayport, ON	In-store	Wheat	214.61	218.61		223.71	197.61
		Oat	N/A	N/A	1	204.09	N/A
		Barley	200.89	203.39	1	N/A	187.45
Montreal, QC	In-store	Wheat	219.03	223.03	1	228.13	202.46
		Oat	N/A	N/A		N/A	N/A
		Barley	205.81	208.31		209.01	192.96
Moncton, NB	Truck via Halifax	Wheat	241.25	245.25		250.35	224.96
		Oat	N/A	N/A		N/A	N/A
		Barley	230.00	232.50		233.20	219.02
Truro, NS	Truck via Halifax	Wheat	235.22	239.22		244.32	222.40
		Oat	N/A	N/A		N/A	N/A
		Barley	227.50	230.00		230.70	214.14
Halifax, NS	In-store	Wheat	226.28	230.28	1	235.38	209.93
		Oat	N/A	N/A	1	N/A	N/A
		Barley	213.80	216.30	1	217.00	200.47
Stephenville, NL	Track / Truck via Sydney	Wheat	289.63	293.63		298.73	267.43
		Oat	N/A	N/A		N/A	N/A
		Barley	N/A	N/A		N/A	N/A
	FOB						
Melfort, SK		Wheat	N/A	N/A		N/A	265.14
		Oat	N/A	N/A		N/A	163.50
	Track	Barley	N/A	N/A		N/A	253.02
Bayport, ON		Wheat	N/A	N/A		N/A	151.40
		Oat	N/A	N/A		N/A	212.65
	Track	Barley	N/A	N/A		N/A	309.91
Montreal, QC		Wheat	N/A	N/A		N/A	201.10
		Oat	N/A	N/A		N/A	213.41
	Track	Barley	N/A	N/A		N/A	313.63
Moncton, NB		Wheat	N/A	N/A		N/A	201.92
		Oat	N/A	N/A		N/A	241.69
	Track	Barley	N/A	N/A		N/A	337.91
Truro, NS		Wheat	N/A	N/A		N/A	N/A
		Oat	N/A	N/A		N/A	239.88
	Track / Truck via Sydney	Barley	N/A	N/A		N/A	338.92
Stephenville, NL		Wheat	N/A	N/A		N/A	N/A
		Oat	N/A	N/A		N/A	286.94
		Barley	N/A	N/A		N/A	388.20

Corn

Selected Points	Price Basis		This week 10 Feb	Week ago 3-Feb		Month ago 13-Jan	Year ago 11-Feb
From: US Lake Port	On Board Vessel		156.14	157.46		154.23	127.50
To: Montreal, QC	In-store		175.18	176.50	1	173.27	148.62
From: Chicago (Mi)	Track		151.95	151.23		150.57	133.16
To: Montreal, QC	Track		180.81	180.09		179.43	162.19
From: Chatham, ON	Track		161.31	159.64		164.46	134.15
To: Montreal, QC	Track		185.11	183.44		188.26	157.43

Soymeal 48% Protein

From: Hamilton, ON			260.77	264.86		299.72	289.46
To: Montreal, QC	Track		285.10	289.19		324.05	313.88
Moncton, NB	Track		303.85	307.94		342.80	337.09
Truro, NS	Track		307.07	311.16		346.02	335.92
Stephenville, NL	Track / Truck via Sydney		355.70	359.79		394.65	384.72

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Doris Pelletier, A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: pelletier@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified.
Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.
Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



Bi-weekly Bulletin

February 21, 2003 Volume 16 Number 5

GINSENG FROM CANADA

Over the past decade, Canada has become the world's largest grower of North American ginseng, accounting for over 60% of world production. Sales of ginseng rank as Ontario's fifth largest cash crop, while in British Columbia (B.C.) ginseng sales rank as its seventeenth largest. Total ginseng exports have increased from about CAN\$15 million (M) in 1988 to more than \$68M in 2001. However, with increased production, prices have fallen significantly over the past seven years. The ginseng industry has proven to be remarkably resilient and innovative during this period, increasing yields from 10-30% and lowering costs of production by as much as 50%. With continued research, combined with a strong marketing plan, the ginseng industry will be well positioned to capture new marketing opportunities.

Background

North American ginseng (*Panax quinquefolius*) a species in the *araliaceae* family is a slow-growing herbaceous perennial, indigenous to the eastern areas of North America, growing in Ontario, Quebec, and Wisconsin. For thousand of years, Native Indians used wild North American ginseng for its healing properties. In 1716, the existence of North American ginseng was documented by a Jesuit priest. Exports of wild ginseng to China began in 1721 and their export value was soon second only to fur. In time, wild ginseng became severely depleted from over-harvesting and is now considered an endangered species. The export of truly wild ginseng is prohibited in Canada. Under the Convention on International Trade in Endangered Species (CITES), a permit is required for the export of forest and field cultivated ginseng, but not for the processed root or seeds.

Uses and Properties

Scientific research has documented the active ingredients in ginseng. The therapeutic effects of the herb are attributed to a group of saponins, complex carbohydrates combined with either alcohol or phenol, that are known as ginsenosides. Ginsenosides are present throughout the plant but levels are highest in the root. During its lifespan, concentrations of ginsenosides shift from each part of the plant as it goes through its annual growth cycle.

Ginseng is an adaptogen, i.e. it has the ability to regulate and balance body functions, and increase capacity to adjust to stress. For example, some ginsenoside compounds increase blood pressure, while others decrease blood pressure. It is theorized that the body selects the ginsenoside which is needed to normalize blood pressure. The University of Toronto is conducting clinical trials on the affect of ginseng on diabetes. Preliminary trials have been encouraging and have indicated that

ginseng does have an effect on the symptoms of adult-onset diabetes.

Although North American and Asian ginseng are similar in appearance, they differ in their chemical properties. North American ginseng is known to contain more ginsenosides than Asian ginseng, (30 compared to 20 compounds identified), and is considered to be the more potent of the two. Each of these different compounds appear to have their own individual benefits. North American ginseng is considered to be distinct and complementary to Asian ginseng because of differences in ginsenoside content and levels.

According to traditional Chinese medicine, North American ginseng relieves stress and calms the body. The Asian grown ginseng is thought to have a healing effect that invigorates, stimulates and heals the body. Asian and North American ginseng are therefore not competing but rather complementary products. While the



Canada

active compounds have been identified, ginseng is not yet recognized by Western pharmacology. Instead it is used primarily in herbal and health food applications in powder or pill form. It can also be purchased in dry root form in herbal specialty stores.

In traditional Chinese usage, ginseng in fresh or dried root form is consumed after immersion in hot or boiling water or included in chicken or beef soup. It is also available in tea bags or in candy form.

In many countries there is a new demand for natural and safe substances that can relieve high stress related to the workplace and improve the quality of life after age 55. Recent scientific research at the universities of Alberta, British Columbia, McMaster and Toronto has indicated that ginseng grown in Canada can reduce fatigue, improve short-term memory and blood circulation, help maintain normal blood sugar levels, reinforce the immune system and increase longevity through strong anti-oxidant properties. Preliminary research at New York University identified that *ginsenoside Rc* has an anti-tumor effect on breast and prostate cancers, and plays a role in preventing recurrence of the disease.

Agronomics

Native ginseng is found in the hardwood forests of North America where only 20-30% of natural light reaches the plant. The high organic matter of the forest floor moderates the soil temperatures in summer and winter, provides a well drained environment and prevents excessive moisture loss. In order for ginseng to be successfully cultivated in field production, the environment must be modified to resemble its natural habitat.

Field grown ginseng is cultivated in raised beds with a one foot gutter on each side. This improves drainage

and air circulation which helps to keep diseases at manageable levels. After seeding, 2-4 inches of mulch is added. In winter, the mulch insulates the roots from dropping below the critical temperature where change occurs {about -5 Celsius (C)} and in summer it has a moderating effect by keeping the soil temperatures 5-10 C below that of open areas. The mulch also helps to retain moist soil levels and prevents excessive moisture loss.

The soil acidity or PH level should be between 5.5 and 6.5. PH levels below this range can result in unhealthy plants and are more susceptible to disease. Soil fumigation, fungicides, crop hygiene and good drainage are all considered essential in the control of disease, which can reduce yields from 30% to 60%. Soil composition is also critical for good production. Studies have determined that the levels of soil nutrients can directly affect the levels of the individual 30 known ginsenosides in ginseng. However, little work has been carried out as to the optimum levels and types of nutrients required. There are interesting efforts to study plant species interactions in a forest situation. Remarkable observations have been made of interactions between ginseng plants and other forest plants (e.g. jewel weed) which somehow prevent disease problems to wild-simulated ginseng production.

Micropropagation

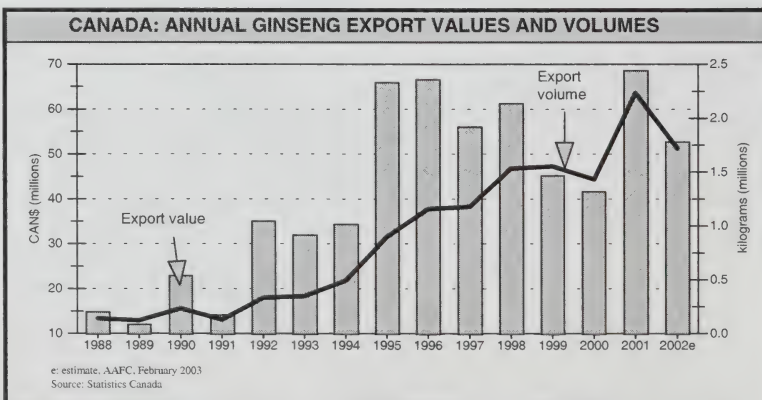
Currently, there are no cultivars of ginseng. Field cultivation began by moving wild roots into protected gardens. Further expansion of acreage was achieved by using seeds from domesticated wild roots. Selection of superior strains has not been achieved with this process.

The high cost of seed, poor germination, and limited yields due to high disease rates can make the establishment of micropropagated transplants an effective approach to boost the expansion, efficiency and profitability of the ginseng industry.

Propagation of the micro plant is carried out in aseptic conditions which allows cultures to be treated to cure the plant of viral and bacterial contaminants, producing plants which can be certified as pathogen-free. The rate of in vitro propagation is much greater than traditional seed propagation and allows the ability to rapidly multiply specific and unique plants with specific ginsenosides or plants with enhanced disease resistance. Studies have further shown that micropropagation procedure results in the production of a two-year equivalent plant in the first year.

Economics of Production

Ginseng must be grown in 70-80% shade. The plant will die when



exposed to direct sunlight. Shade structures of wooden lath or a polypropylene cloth shade are often used. The cost of erecting shade structures varies depending upon the type of material chosen. Most shade structures can cost between \$15,000 and \$18,000 per acre (/ac.) and are a significant investment when choosing to grow ginseng. Ginseng is also commonly grown in hardwood forests where growers can take advantage of the organic rich soils and the natural shade provided by the surrounding trees.

The cost of producing ginseng is high, making this a risky operation. Seed cost can be as high as \$8,000/ac when seed is limited. The total cost of production (direct), is estimated to be about \$40,000/ac. Yields can range anywhere from 2,000 to 4,000 pounds/ac.

The ginseng root is usually harvested at three years because of diseases that threaten older gardens. As the age increases, the root has more time to draw upon the soil nutrients and manufacture higher levels of ginsenosides. The root shape is determined in the first two years of plant life. It is contractile (shrinks vertically) and develops concentric wrinkles as it ages. Such features are desirable in the market place. As its root ages, the ginsenosides levels increase. On average, 3-year old, 4-

year old, and 5-year old roots will have a ginsenoside level ranging from less than 4% to 11% by weight. The age, chunkiness, and amount of concentric wrinkles are three factors that are important in the Asian market and it is by such characteristics that the ginseng root will be valued.

Production

Over the past decade, Canada has become the world's largest producer of North American ginseng, accounting for about 60% of world production. In terms of all ginseng produced globally, Canada remains third behind China and South Korea. Almost all ginseng is produced in Ontario and B.C., with a smaller amount in Quebec. Ontario produces about two-thirds of total Canadian production and it is Ontario's fifth largest cash crop after soybeans, corn, tobacco, and wheat. In B.C., the first crops were seeded in 1982 and production now accounts for almost one-third of the Canadian total.

Canadian production has increased from about 212,000 kilograms (kg) in 1987 to about 2.3 million kilograms (Mkg) in 2001. This rapid growth in production is due to a larger seeded area and an improvement in yields. Looking ahead, production is expected to remain static due to lower prices as a result of higher production levels. The US is the world's second largest producer of North American ginseng. After reaching a high of about 1.0 Mkg

in 1994, production has fallen to about 0.7 Mkg in 2001. China has attempted to grow North American ginseng since 1947, but it was not until the late 1970s that grade and quality standards comparable to North America were achieved. China accounts for about 15% of total North American ginseng production. However, the Chinese prefer North American *grown* ginseng and are prepared to pay a premium for it.

Prices

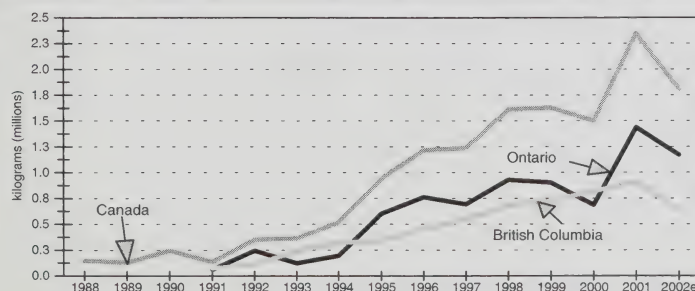
Production of ginseng in North America peaked in 2001 and has since fallen. This is in direct response to lower prices due to market saturation. Export prices have stabilized at about \$31 per kilogram (/kg) since 1999. However, this is an average annual export price, in high volumes, which can vary greatly depending on quality and disease considerations. Prices for the Canadian domestic market are higher. Woods-grown ginseng is in high demand in China and can command on average five times the price of field cultivated roots.

Exports

In 2001, Canadian exports to China at just over 2.1 Mkg represented over 96% of total Canadian exports. Taiwan, Singapore, the United States (US), and Japan accounted for the majority of the remainder of the exports. Hong Kong is by far the largest destination for ginseng exports, accounting for about 80% of all exports and is the hub of the North American ginseng trade in Asia. Canadian ginseng is sold in bulk to major Hong Kong buyers, where it is sorted, graded, and shipped to China and other destinations for further grading and processing. This has forged strong loyalty between Canadian export associations and Hong Kong buyers.

China's accession into the World Trade Organization has provided greater market access for Canadian ginseng exporters. The tariff rate for

CANADA: GINSENG PRODUCTION



e: estimate. AAFC, February 2003
Source: Statistics Canada

ginseng in 2003 will be 10.7%, down from 11.8% in 2002 and 36% in 2001. For the years 2004-2006, the tariff rate will be reduced to 9.7%, 8.6%, and 7.5% respectively. A value-added tax of 13% will continue to be applied. The reduction in the tariff rates should help to make Canadian grown ginseng more competitive with North American ginseng produced in China.

Canadian exports to European and Latin American markets in 2001 were about 2,945 kg, compared to about 1,036 kg in 1999. These markets hold Asian ginseng varieties in higher regard. This is likely based on the misconception that North American ginseng competes with Asian ginseng varieties. There is a need to provide education in these markets regarding the complementary nature of North American ginseng through scientific studies which show the benefits of using North American varieties. Currently, Europe and Latin America are small export markets for Canadian ginseng, but they have significant future potential.

The US may become a significant market for Canadian ginseng. This is mostly due to lower production in the US over the past seven years. Exports to the US reached a high of over \$2.5M, or 56,000 kg, in 2000. Nevertheless, sales can vary considerably based on variations in US production and demand.

Marketing

In B.C., the Associated Ginseng Growers of B.C. provide growers with quarterly newsletters providing updates on industry and market developments.

The Ontario Ginseng Growers Association (OGGA) (www.ginsenggrowers.com) became

the official representative of Ontario ginseng producers on August 30, 2001. A mandatory annual licensing fee of \$50/ac is charged to producers who grow one-quarter of an acre or more of ginseng. The key elements of the OGGA program are: 1) grower communication; 2) market development; and 3) research.

The goal of market development is to gather and disseminate all available information on current market conditions to growers. Information on acreage, production figures and root availability aids in ginseng sales planning. The association also provides services which match buyers with growers.

The approach to ginseng research is to provide production and medical research. Production research involves the analysis of issues such as pesticide residues on ginseng and registration of chemicals for use with the crop. Medical research involves examining the benefits associated with consuming ginseng.

Seeds

The production of seeds for sale can also be a valuable source of income. Seeds are produced on plants aged three years or older and occasionally on two year old plants. The seeds are harvested and require a process of stratification, (undergoing a series of hot and cold temperatures ranging over 16-22 months) before they are mature enough to initiate germination. Yields average about 180 kg/ac and in years of low supply seeds can sell for higher prices than the root. In 1999, seeds sold for about \$60/kg, almost double the price of ginseng root. Nevertheless, on average, seed prices are generally below the price of roots.

Outlook

Increases in reported yields from 10-30% over the past five years, with a cost per hectare decrease as much as 50%, have positioned many producers for a challenging and rewarding future. By maximizing technology, innovation, and decades of ginseng experience with a national collective marketing effort, Canadian ginseng is expected to continue as an attractive option for Canadian growers who invest and develop the necessary expertise in this specialized crop.

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A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL 48%	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFAFA	FEATHER MEAL
Vancouver	February 24, 2003	FOB	228.16	N/A	185.00	192.00		332.63	248.75	184.00	330.00	900.00	560.00					400.00
BC	(4) (7) February 17, 2003	FOB	228.16	N/A	185.00	192.00		332.63	248.75	184.00	330.00	900.00	560.00					430.00
Calgary	February 24, 2003	FOB	205.00	N/A	185.00	175.00		329.50	N/A		290.00	950.00	585.00					420.00
AB	(4) February 17, 2003	FOB	205.00	N/A	185.00	180.00		334.00	N/A		290.00	950.00	585.00					420.00
Saskatoon	February 24, 2003	FOB	185.00	230.00	170.00	174.00		319.00	240.00		290.00	N/A	585.00			183.33		465.00
SK	(4) February 17, 2003	FOB	185.00	230.00	170.00	174.00		320.67	240.00		290.00	N/A	585.00			183.33		465.00
Melfort	February 24, 2003	FOB																
SK	February 17, 2003	FOB																
Winnipeg	February 24, 2003	FOB	182.00	215.00	173.00	160.00		307.50	235.00		305.00	925.00	480.00					450.00
MB	(4) (9) February 17, 2003	FOB	182.50	215.00	173.50	162.00		310.00	235.00		300.00	925.00	480.00					450.00
Thunder Bay	February 24, 2003	In-Store	188.59	N/A	166.20													
ON	(8) February 17, 2003	On Board	184.50	N/A	164.00													
Lake Ports	February 24, 2003	Vessel				101.01												
USA	February 17, 2003					103.53												
Bay Ports	February 24, 2003	In-Store	218.09	320.00	N/A													
ON	February 17, 2003	Track	214.00	320.00	N/A													
Chatham	February 24, 2003					158.65												
ON	February 17, 2003					158.65												
Toronto	February 24, 2003	N/A																
ON	(5) February 17, 2003	N/A									285.00	N/A	465.00				285.00	325.00
Hamilton	February 24, 2003										284.67	N/A	465.00				285.00	325.00
ON	February 17, 2003							288.10	N/A									
Eastern	February 24, 2003	FOB				165.50		288.10	N/A									
ON	February 17, 2003					165.50												
London	February 24, 2003	FOB								125.00								
ON	February 17, 2003									122.50								
Port Colborne	February 24, 2003	FOB																
ON	February 17, 2003																	
Cardinal	February 24, 2003	FOB																
ON	February 17, 2003																	
Montreal	February 24, 2003		N/A	N/A	N/A	N/A		331.41	250.88	148.33	287.00	850.00	424.00				268.00	320.00
QC	(5) February 17, 2003	In-Store	224.09	N/A	N/A	170.76		328.00	249.28	146.67	281.00	850.00	424.00				268.00	320.00
Trois-Rivières	February 24, 2003		220.00	N/A	N/A	174.10												
OC	February 17, 2003																	
St. Jean QC	(2) February 24, 2003	FOB	196.03	201.75	170.00	165.30		324.25										
St. Hyacinthe QC	February 17, 2003		197.33	205.00	169.67	167.47		328.08										
Quebec	February 24, 2003	In-Store	208.00	N/A	211.50	176.00		298.20										
QC	February 17, 2003		208.06	N/A	202.83	171.59		307.40										
Truro	February 24, 2003	Track	242.78	230.00	236.22	201.42		342.74	291.06		319.00		435.00					320.00
NS	February 17, 2003		247.78	230.00	239.98	203.64		334.89	291.28		314.00		435.00					320.00
Truro	February 24, 2003	Water		N/A	N/A	196.40												
NS	February 17, 2003	& Truck		N/A	N/A	200.70												
Truro	February 24, 2003	In-Store		N/A	N/A	187.40												
NS	February 17, 2003			N/A	N/A	187.40												
Halifax	February 24, 2003																	
NS	(6) February 17, 2003		N/A	N/A	N/A	190.70												

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodities Exchange market close
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US\$1.00=CANS1.5054 closing date February 21, 2003
N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No. 1 Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn unless otherwise specified.
Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein, Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal.
Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWR5 (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley Cash Price WCE (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

February 24, 2003

PRAIRIE GRAINS

Selected Points	Price Basis		This week 24-Feb-03	Week ago 17-Feb-03		Month ago 27-Jan-03	Year ago 28-Feb-02
From: Thunder Bay 2	In-Store	Wheat	189.20	191.00		195.00	173.30
CBOT		Oat	209.75	204.25		204.25	N/A
Lethbridge		Barley	171.50	173.50	1	176.70	157.60
To: Bayport, ON	In-store	Wheat	212.81	214.61		218.61	198.41
		Oat	N/A	N/A	1	N/A	N/A
		Barley	198.89	200.89	1	203.39	187.05
Montreal, QC	In-store	Wheat	217.23	219.03	1	223.03	203.26
		Oat	N/A	N/A		N/A	N/A
		Barley	203.81	205.81		208.31	192.56
Moncton, NB	Truck via Halifax	Wheat	239.45	241.25		245.25	225.76
		Oat	N/A	N/A		N/A	N/A
		Barley	228.00	230.00		230.00	218.62
Truro, NS	Truck via Halifax	Wheat	233.42	235.22		239.22	223.20
		Oat	N/A	N/A		N/A	N/A
		Barley	225.50	227.50		230.00	213.74
Halifax, NS	In-store	Wheat	224.48	226.28	1	230.28	210.53
		Oat	N/A	N/A	1	N/A	N/A
		Barley	211.80	213.80	1	216.30	200.07
Stephenville, NL	Track / Truck via Sydney	Wheat	287.83	289.63		293.63	268.23
		Oat	N/A	N/A		N/A	N/A
		Barley	N/A	N/A		N/A	N/A
	FOB						
Melfort, SK		Wheat	N/A	N/A		N/A	264.74
		Oat	N/A	N/A		N/A	165.30
	Track	Barley	N/A	N/A		N/A	231.77
Bayport, ON		Wheat	N/A	N/A		N/A	148.90
		Oat	N/A	N/A		N/A	214.45
	Track	Barley	N/A	N/A		N/A	288.66
Montreal, QC		Wheat	N/A	N/A		N/A	198.60
		Oat	N/A	N/A		N/A	215.21
	Track	Barley	N/A	N/A		N/A	292.38
Moncton, NB		Wheat	N/A	N/A		N/A	199.42
		Oat	N/A	N/A		N/A	243.49
	Track	Barley	N/A	N/A		N/A	316.66
Truro, NS		Wheat	N/A	N/A		N/A	N/A
		Oat	N/A	N/A		N/A	241.68
	Track / Truck via Sydney	Barley	N/A	N/A		N/A	317.67
Stephenville, NL		Wheat	N/A	N/A		N/A	N/A
		Oat	N/A	N/A		N/A	288.74
		Barley	N/A	N/A		N/A	366.95

Corn

Selected Points	Price Basis		This week 24-Feb-03	This week 17-Feb-03		Month ago 27-Jan-03	Year ago 28-Feb-02
From: US Lake Port	On Board Vessel		149.79	150.98		157.43	131.03
To: Montreal, QC	In-store		168.83	170.02	1	176.50	152.15
From: Chicago (Mi)	Track		146.24	146.24		151.23	133.56
To: Montreal, QC	Track		175.10	175.10		180.09	162.59
From: Chatham, ON	Track		158.65	158.65		159.64	137.79
To: Montreal, QC	Track		182.45	182.45		183.44	161.17

Soymeal 48% Protein

From: Hamilton, ON			261.14	261.14		299.72	294.53
To: Montreal, QC	Track		285.47	285.47		324.05	318.95
Moncton, NB	Track		304.22	304.22		342.80	342.16
Truro, NS	Track		307.44	307.44		346.02	340.99
Stephenville, NL	Track / Truck via Sydney		356.07	356.07		394.65	389.79

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Doris Pelletier, A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: pelletierdm@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

Agriculture and
Agri-Food CanadaAgriculture et
Agroalimentaire Canada

Bi-weekly Bulletin

March 14, 2003 Volume 16 Number 6

RUSSIA AND UKRAINE: WHEAT

Wheat exports from Russia and Ukraine have been increasing for the past two years, due to increased production. Total exports in 2002-2003 are forecast at a record 18.5 million tonnes (Mt), compared to less than 1 Mt just two years ago. Russia and Ukraine are projected to be the world's third and sixth largest wheat exporters in 2002-2003. Despite high market transaction costs, Russian and Ukrainian wheat is competitive due to low production costs. The increased exports have pressured world wheat markets, as the Black Sea wheat entered the European Union (EU), as well as traditional markets of the major exporters. As a result, world wheat prices have declined sharply since they reached a seven year high in the fall of 2002 due to the drought in the United States (US), Canada and Australia. For 2003-2004, however, Russian and Ukrainian wheat production is expected to decline. Exports are therefore forecast to fall sharply, but remain at an historically high level. The continued competitiveness of Russian and Ukrainian wheat on world markets will largely depend on their governments' evolving grain policy.

Russian Wheat Policy

The Russian government remains committed to increasing wheat production by increasing credit and subsidizing crop inputs, as well as offering a special machinery leasing fund. However, implementation of these programs depends upon the federal budget allocation to agriculture. The Russian Ministry of Agriculture moved towards controlling the wheat market through intervention which

began in November 2001 for feed wheat. For 2002-2003, state procurement intervention prices are 2,300 rubles per tonne (/t) (CAN\$110/t) for No.3 wheat and 1,800 rubles/t (CAN\$86/t) for No.4 wheat. Russia applied for accession to the World Trade Organization (WTO) in 1995 and negotiations are currently in progress.

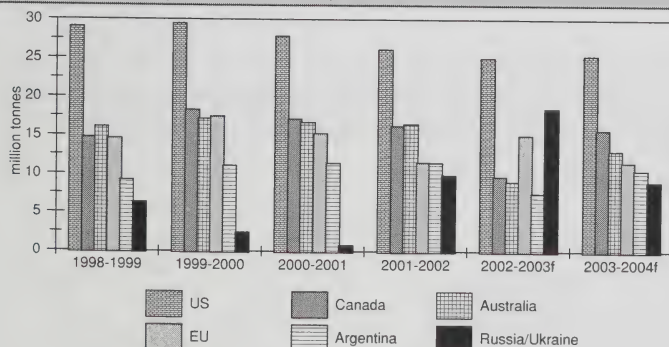
Ukrainian Wheat Policy

Agriculture accounts for about 20% of Ukraine's gross domestic product. However, despite its potential, the agriculture sector continues to suffer from inefficiency and non-competitiveness. These factors contribute to the need for reform of Ukrainian agriculture.

Since Ukraine began its transition to a market based economy following its independence in 1991, reforms in the sector have been slow and problems remain unsolved. After 1992, prices were liberalized for most commodities, however, many agricultural subsidies continued, contributing to growing budget deficits and inflation. After the rate of inflation grew substantially in 1993 and 1994, a monetary policy was put in place, which helped stabilize Ukraine's currency, the grivna.

The strengths of Ukraine are its rich soils, favourable growing conditions, geographic location and its year round access to the Black Sea. The weaknesses are low crop productivity, a lack of proper inputs such as chemicals and machinery, and a lack of experience in profitable farm management.

WORLD: WHEAT EXPORTS BY MAJOR EXPORTERS



f: forecast, USDA: 2002-2003; AAFC 2003-2004
Source: USDA, AAFC

Areas where improvement is needed include state policy development and implementation, farm restructuring, land reform and rural financing.

Ukraine formally applied for accession to the WTO in 1993. Talks stalled from 1998 to 2000, but have resumed. Specific terms are currently in negotiation.

SITUATION

Production

Wheat can be classified into winter wheat and spring wheat. Winter wheat is the main type grown in Russia and Ukraine. In Ukraine, winter wheat represented 97% of the total harvested wheat area over the last five years. In contrast, the 5-year average for Russian harvested area has been approximately 35% winter wheat and 65% spring wheat. However, the split between winter and spring wheat production is about 50% each. The main wheat producing area in Russia is in the western portion of the country around Moscow, north of the Black Sea. This area accounts for about 35% of the total wheat produced. Beginning in August and running through the first of October, winter wheat is planted. The wheat begins heading in May, and harvest begins in July and continues through the end of August. As for Ukraine, major production areas of winter wheat exist throughout the entire country, except the northern region, which is classified as a minor growing area.

For 2002-2003, **Russian** harvested wheat area is estimated at 25.7 Mha, up 8% from 2001-2002. Prior to this, harvested area had been flat as the Russian economy

experienced the effects of a financial crisis in 1998. Russian producers had been limited by a continuing shortage of cash on-farm, making it difficult to buy high priced crop inputs such as fuel and fertilizer and to repair inferior machinery. In the last two years, fuel and seed supplies for agriculture have improved, while access to better farm equipment has improved only marginally. As a result, 2002-2003 Russian wheat yields are estimated to be about 2.0 tonnes per hectare (t/ha), similar to last year, but up about 0.5 t/ha from 2000-2001.

For 2002-2003, Russian wheat production is estimated at 50.6 Mt, up 8% from last year and the highest since 1990-1991. This is largely due to excellent weather conditions for winter wheat development in the central and southern part of European Russia. Spring wheat production in the Urals and Siberia is estimated to be similar to last year at 32.0 Mt, slightly above the 5-year average.

For 2002-2003, **Ukrainian** harvested wheat area is estimated at 6.8 million hectares (Mha), marginally lower than 2001-2002. From 1998 to 2000, harvested area had averaged 5.7 Mha, due to deteriorating farm equipment, declining use of fertilizer and herbicides and poor weather conditions. In 2001-2002, the supply of agricultural inputs improved due to the increase in farm income as a result of high domestic wheat prices in 2000-2001 and an improvement in loan guarantees by financial institutions. For 2002-2003, Ukrainian wheat yields are estimated at 3.1 t/ha, similar to last year, but over 50% higher than 2000-2001.

For 2002-2003, Ukrainian wheat production is

estimated at 20.6 Mt, down marginally from 2001-2002, however, more than double the output of two years ago. The unusually cold weather in December of 2002 combined with less than adequate snow cover has resulted in an increase in winterkill compared to last year.

Consumption

In both **Russia and Ukraine**, about 40% to 50% of wheat consumption is in the form of human food, followed by feed use (30% to 35%) and seed use (5% to 10%). About 80% of the winter wheat crop is graded No. 4 (10% protein) and is utilized for blending in bread production and animal feed. The remaining 20% of the winter wheat crop averages a No. 3 and is considered to be milling quality. Annual per capita consumption of wheat in Russia and Ukraine is about 130 kilograms (kg) compared to 90 kg in Canada.

For 2002-2003, Russian and Ukrainian feed use is expected to increase to 17.5 Mt and 3.0 Mt respectively, up 30% from last year. With high wheat production in both countries during the last two years, domestic feed wheat prices have fallen sharply. This has resulted in rapid growth in pork production, which is expected to more than offset decreasing beef production.

Traditionally, **Ukrainian** wheat producers have used their own seed for planting and seed use has averaged about 1.3 Mt per year. Producers are hesitant to store grain at local elevators because Ukraine lacks new facilities. Instead, producers prefer flat on-farm storage. For this reason, storage and marketing losses are as high as 4% of total wheat production.

RUSSIA: WHEAT SUPPLY AND DISPOSITION

July-June crop year	1999 -2000	2000 -2001	2001 -2002e	2002 -2003f	2003 -2004f
.....thousand tonnes.....					
Carry-in Stocks	1.0	1.2	1.4	6.4	6.7
Production	31.0	34.5	46.9	50.6	42.0
Imports	<u>5.1</u>	<u>1.6</u>	<u>0.6</u>	<u>0.3</u>	<u>0.5</u>
Total Supply	37.1	37.3	48.9	57.3	49.2
Domestic Use	35.4	35.2	38.1	40.6	40.0
Exports	<u>0.5</u>	<u>0.7</u>	<u>4.4</u>	<u>10.0</u>	<u>4.5</u>
Total Use	35.9	35.9	42.5	50.6	44.5
Carry-out Stocks	1.2	1.4	6.4	6.7	4.7

e: estimate, USDA: 2001-2002; f: forecast, AAFC: 2002-2003 and 2003-2004
Source: USDA

UKRAINE: WHEAT SUPPLY AND DISPOSITION

July-June crop year	1999 -2000	2000 -2001	2001 -2002e	2002 -2003f	2003 -2004f
.....thousand tonnes.....					
Carry-in Stocks	1.9	1.8	0.5	3.7	2.4
Production	13.6	10.2	21.3	20.6	18.0
Imports	<u>0.4</u>	<u>0.7</u>	<u>0.0</u>	<u>0.2</u>	<u>0.0</u>
Total Supply	15.9	12.7	21.8	24.5	20.4
Domestic Use	12.2	12.2	12.6	13.6	13.5
Exports	<u>2.0</u>	<u>0.1</u>	<u>5.5</u>	<u>8.5</u>	<u>4.5</u>
Total Use	14.1	12.2	18.1	22.1	18.0
Carry-out Stocks	1.8	0.5	3.7	2.4	2.4

e: estimate, USDA: 2001-2002; f: forecast, AAFC: 2002-2003 and 2003-2004
Source: USDA

Infrastructure

Russian port facilities are limited although improvements are underway and expansion is expected to be completed in the next 2-3 years. This includes the ports of Taganrog and Yeysk, located on the Sea of Azov and connected with the Black Sea by the Kerch Strait. Improvements to the Black Sea port of Novorossiysk and the port of Vladivostok, located on the Sea of Japan are also underway. However, overall Russian port capacity will continue to be restricted by shallow drafts and a lack of land for development around ports. Total Russian port throughput capacity is 15 Mt, however, deep sea port capacity is only 10 Mt. Wheat and other grains are often in competition for facility storage with other high value products. In January 2003, construction of two grain terminals began near Astrakhan's river and seaport. The two facilities are expected to begin shipping grain this year. Projections are in place to increase throughput capacity to 1 Mt by 2010. In response to limited capacity at Russian deep sea ports, Russian exporters have used facilities in western Europe and Ukraine to reduce pooling and consolidation costs.

Ukrainian port storage capacity is 340,000 t with a throughput of about 16.0 Mt a year. About 7 % of the grain shipped through Ukrainian ports is of Russian origin. Ukraine's competitive position in wheat exports will be enhanced as improvements continue to be made in port infrastructure through private investment. The Ukrainian ports of Illichesk, Odessa, Nickolayev, Khersonk, and Berdyansk are undergoing upgrades which will enable these ports to increase their throughput by a combined 2-3 Mt a year.

TRADE

Exports

Russia and Ukraine were mainly net wheat importers when they were members of the Former Soviet Union (FSU). Before the break-up of the Soviet Union, Ukraine largely exported wheat to Russia and other countries of the FSU. They were responsible for supplying feed grains to the large dairy, livestock and poultry operations in the Soviet Union. Following the break-up of the FSU in 1991, both the Russian and Ukrainian agricultural sectors entered a decade of

decline. FSU farm subsidies for fuel and protein feed were abolished, and as a result livestock numbers decreased. The reduction in livestock inventories left a surplus of feed wheat. However, wheat exports were limited until 1994 when state price controls were reduced and restrictions on export licences and quotas were removed.

Ukraine's livestock and poultry sectors were designed by the FSU to function in a centrally planned economy. Following independence, the Ukrainian government tried to maintain inventories by increasing corn imports in 1991 and 1992. Nevertheless, with the elimination of farm input and feed subsidies, increased competition from imported livestock and poultry products and a decrease in consumer disposable income, Ukrainian producers reduced livestock and poultry inventories.

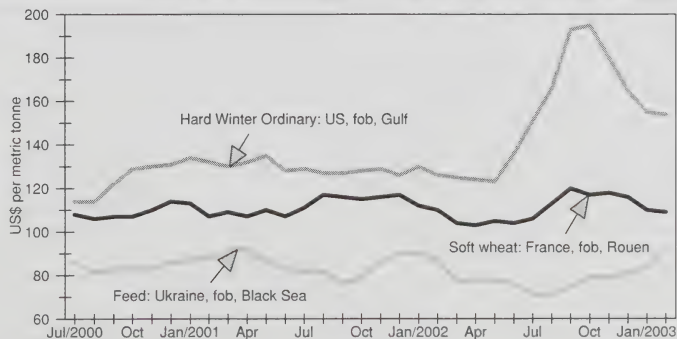
Both **Russia and Ukraine** have been minor wheat exporters, with exports averaging a combined 2.8 Mt from 1996 to 2000. In 2001-2002, however, Russia and Ukraine exported 4.4 and 5.5 Mt, versus 0.7 and 0.1 Mt, respectively in 2000-2001. With a second consecutive bumper wheat crop in 2002-2003, Russia and Ukraine are forecast to export a record 10.0 and 8.5 Mt, respectively. These two countries collectively are the second largest exporter after the US for 2002-2003. Early crop year exports of low priced wheat have been exceptionally large due to tight supplies and high prices in the five major exporting countries. Less competition from Canada and Australia has provided opportunities for milling wheat exports to North Africa and the Middle East. The proximity to these markets gave Russia and

Ukraine a freight advantage over many exporters, along with their flexibility in offering smaller vessels to private importers in the Mediterranean. Feed quality wheat exports to South Korea and Israel have been very competitive with US corn. Due to limited Canadian wheat supplies as a result of drought conditions, Ukraine feed wheat exports to eastern Canada, largely Quebec, totalled 73,000 t in 2001-2002 and are forecast at 100,000 t in 2002-2003. The EU had been the largest market for Russian and Ukrainian wheat exports, largely due to the lack of an import duty, which allowed wheat exports into the EU at prices lower than domestic EU wheat prices. For 2002-2003, Italy, Greece, and Spain are the largest EU importers to-date of Russian and Ukrainian wheat. However, on January 1, 2003, the EU limited wheat imports of low and medium protein wheat with a quota of less than 3.0 Mt at a €12/t (CAN\$19/t) tariff. The after quota tariff was set at €95/t (CAN\$149/t). The frequency of Russian and Ukrainian wheat exports has diminished recently, after record shipments in the first half of the crop year. Feed wheat availability has been sharply reduced in Russia and Ukraine. Ukrainian feed wheat export quotes have increased to nearly US\$100/t in February. This may lead to a downward revision of both the 2002-2003 Russian and Ukrainian wheat exports forecasts.

Imports

For 2002-2003, **Russian** wheat imports are forecast at 0.3 Mt, down from 0.6 Mt the previous year. These imports are from Kazakhstan. Russia has a 5% import tariff on No.3 wheat in an attempt to protect the

WORLD: WHEAT EXPORT PRICES



Source: USDA, Ukragroconsult, CWW

domestic market, but the majority of imports come unregistered from Kazakhstan, due to the large unenforced common border.

For 2002-2003, **Ukrainian** wheat imports are forecast at 0.2 Mt, slightly above last year, but below the 5-year average of 0.3 Mt, due to ample wheat supplies. These imports are expected to originate from Kazakhstan, which faces zero duty under the current free trade agreement between the countries.

OUTLOOK

In **Russia**, 2003-2004 wheat seeded area is forecast to fall over 10% due to low domestic prices and unfavourable weather. The general condition of the wheat crop is reported to be worse than 2002-2003 after frost damaged crops in areas unprotected by snow. For 2003-2004, Russian wheat production is forecast at 42.0 Mt, down 17% from 2002-2003. Consequently, Russian wheat supplies are projected at 49.2 Mt, down 14% from this year. However, domestic use is forecast to remain relatively unchanged at 40.0 Mt. Russian wheat exports are forecast to fall by 55% to 4.5 Mt due to reduced exportable wheat supplies. Carry-out stocks are expected to decrease to 4.7 Mt, with a stocks-to-use ratio of 11% versus 13% this year.

For 2003-2004, heavy frosts in **Ukraine** in December of 2002 are very likely to have killed the less developed winter wheat. Preliminary forecasts show that over 2.0 Mha may need to be reseeded in the spring, much higher than in 2002-2003. Yields may also be lowered due to late seeding and poorly established winter wheat as a result of the dry weather in the fall of 2002. Ukrainian wheat production is forecast at 18.0 Mt, down 13% from 2002-2003. With this decrease in projected production, Ukrainian wheat supplies are expected to fall by 17% to 20.4 Mt, with domestic use expected to remain relatively unchanged at 13.5 Mt. Livestock and poultry inventories have been increasing since 2001, but are not expected to reach the high levels of the early 1990s for quite some time. The major limiting factor is that Ukrainian livestock and poultry producers are now in competition with wheat

exporters for feed supplies. Feed demand is expected to play a lesser role in price formation with export demand being the larger determining factor. For 2003-2004, Ukrainian wheat exports are forecast at 4.5 Mt, down 47% from this year. Carry-out stocks are expected to remain unchanged at 2.4 Mt, with a stocks-to-use ratio of 13% compared to 11% in 2002-2003.

Despite high market transaction costs, **Russian and Ukrainian** wheat is competitive largely due to low production costs. Low production costs enable wheat exporters to offset existing high costs of storage and transportation and offer lower export prices. The continued competitiveness of Russian and Ukrainian wheat on world markets will largely depend on their governments' evolving grain policy. Costs of production are expected to rise in 2003-2004. Another factor that may result in a decrease in wheat profitability, is the **Ukrainian** government's reluctance to refund the value-added tax to wheat exporters. To-date, there are indications that Ukraine's domestic wheat supplies are limited, especially milling wheat, which has already resulted in an increase in domestic wheat prices. Lower supplies may undermine Ukraine's position on the world wheat market, and raise the interest of Ukrainian ports in handling transfer wheat exports from Russia and Kazakhstan as alternatives.

In the long-term, **Russian and Ukrainian** wheat export competitiveness will depend on government policy decisions and reductions in logistics costs. Currently, it costs approximately US\$18-25/t to move grain from an inland elevator to ocean vessel. It is expected that with port facility upgrades in Russia and Ukraine, such costs may be reduced thereby increasing the profitability of wheat, while reducing congestion at Ukrainian ports. Future wheat exports from **Russia** will also depend on income growth and the demand for livestock and poultry products. Increased domestic livestock and poultry production will require more wheat for feed thereby reducing wheat exports.

UKRAINE AND CANADA: 2001-2002 WHEAT CROP BUDGET COMPARISON

	Ukraine	Canada*
Variable Costs	.....CAN\$ per hectare.....	
Seed (inc. treatment)	8.48	16.62
Fertilizer	27.18	46.19
Chemicals	13.22	45.99
Fuel	8.37	24.70
Repairs	3.69	14.82
Other	<u>13.67</u>	<u>6.35</u>
Total Variable Costs	74.61	154.67

*Saskatchewan Brown soil zone spring wheat budget with interest and crop insurance removed

Source: USDA-Ukraine; AAFC-Canada

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CANADA: GRAINS AND OILSEEDS OUTLOOK

MARCH 13, 2003

For 2002-03, total production of grains and oilseeds in Canada decreased by 17% from 2001-02 to about 42 million tonnes (Mt) due to one of the worst droughts on record in parts of western Canada. Total Canadian exports are expected to be significantly below 2001-02 and, despite a major increase in imports, carry-out stocks are expected to decrease significantly from 2001-02.

Canadian and world grain and oilseed prices have increased substantially from a year ago, and are expected to average well-above 2001-02. However, world wheat prices have declined from the peak reached last fall, due mainly to large exports from non-traditional exporters, such as Ukraine and Russia, and the resumption of EU export subsidies in December. The strengthening Canadian dollar has pressured prices for all grains and oilseeds in Canada.

For 2003-04, area seeded to most major grains and oilseeds in western Canada is expected to increase due to strong prices in 2002-03, with the largest increases being to spring wheat, barley and canola, while summerfallow and special crop areas decrease. Actual seeded area will be highly dependent on spring precipitation, as subsoil moisture levels remain low in parts of the Prairies, although recent snowfall has improved the moisture situation. In eastern Canada, area seeded to wheat has increased while the area seeded to corn and soybeans is expected to decrease. Total production of grains and oilseeds in Canada is forecast by AAFC to increase to 61 Mt, 19 Mt above the drought-reduced 2002 crop. The forecast assumes normal abandonment and slightly below-normal yields due to current low subsoil moisture conditions in Saskatchewan and Alberta. The higher production will be partly offset by low carry-in stocks and a significant decrease in corn imports. Total exports are forecast to increase by 51%, to 23.5 Mt.

Canadian and world grain and oilseed prices are expected to decline from 2002-03 due to higher US and world production. For most major crops, domestic support programs in the US and EU are expected to continue to encourage high production, which will pressure prices. The major factors to watch are growing conditions in the major importing and exporting regions, the impact of high fertilizer prices on seeded areas and yields, and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2002-03, due to significantly lower supplies, exports are forecast to fall by almost 50%, to 6.5 Mt, the lowest level since 1956-57. Feed use is expected to increase due to increased supplies of low quality wheat and reduced barley supplies. Carry-out stocks are forecast to fall by 29%, to 3.5 Mt, the lowest level recorded in modern times.

For 2003-04, production is projected to rise by 68%, to 20.1 Mt, slightly below the 10-year average, due to increased seeded area, lower abandonment and higher yields. Exports are forecast to rise by 85%, to 12.0 Mt. Feed use is expected to decline slightly, assuming a return to normal crop quality. Carry-out stocks are expected to increase to 4.7 Mt, but remain well below the 10-year average of 6.4 Mt. The Canadian Wheat Board (CWB) February Pool Return Outlook (PRO) for No.1 CWRs 11.5% protein is \$204/t, in-store Vancouver/St. Lawrence (I/S VC/SL), vs. the 2002-03 PRO of \$267/t. In Ontario, winter wheat seeded area has risen by 67%, to a record 404,700 hectares, but harvested area may be reduced by high winterkill resulting from extremely cold temperatures this winter.

DURUM

For 2002-03, exports are forecast to fall by 12%, due to reduced supplies, increased competition from other exporters and a good crop in North Africa. Carry-out stocks are forecast to decline by 14%, to 1.4 Mt.

For 2003-04, production is expected to rise sharply, due to reduced abandonment and a return to near normal yields. Despite reduced carry-in stocks, supplies are projected to increase by 20%. Exports, however, are forecast to be unchanged, due to stable world demand, and strong competition from other exporters. As a result, carry-out stocks are projected to rise by 57%, to 2.2 Mt, well above the 10-year average of 1.8 Mt. The CWB PRO for No.1 CWAD 11.5% protein is \$227/t, I/S VC/SL, \$50/t below the 2002-03 PRO. The premium over No.1 CWRs 11.5% is projected at \$23/t, vs. \$10/t in 2002-03.

BARLEY

For 2002-03, malting barley exports are forecast to fall to a ten year low due to low supplies, poor quality, and high feed grain prices. Feed barley exports are expected to be negligible. Carry-out stocks are forecast to fall to the lowest level of recent times.

For 2003-04, production is forecast to increase due to a larger seeded area, lower abandonment and higher yields. Larger supplies are expected to result in increased feed use, and a reduced need for corn imports. Exports of malting barley are forecast to increase to near-normal levels, while feed barley exports are expected to rise but remain low. Carry-out stocks are forecast to increase. Off-Board feed barley prices are expected to decrease. The CWB PRO for No.1 CW Feed barley is \$136/t, I/S VC/SL, vs. the 2002-03 PRO of \$176/t. The PRO for Special Select 2 Row Designated barley is \$216/t vs. the 2002-03 PRO of \$251/t, due to increased world supplies.

OATS

For 2002-03, exports are forecast to fall due to lower supplies. Carry-out stocks are expected to decrease slightly.

For 2003-04, production is forecast to rise sharply, due to higher seeded area, lower abandonment, and higher yields. Exports are expected to increase and carry-out stocks are expected to rise. The price is forecast to fall by about 33% to \$145/t.

CORN

For 2002-03, imports are forecast to increase to a new record due to reduced barley production in western Canada. Carry-out stocks are expected to increase because of higher production in eastern Canada.

For 2003-04, production is forecast to be slightly below 2002-03, as lower area seeded is projected to be largely offset by higher yields. Imports are expected to fall sharply due to increased barley production in western Canada. Carry-out stocks are projected to decrease by 15%. The average Chatham price is forecast to decrease by 13%, to \$130/t, due to lower US corn prices.

CANOLA

For 2002-03, exports and domestic crush are expected to decrease significantly due to lower supplies. Carry-out stocks are expected to decline sharply.

For 2003-04, production is forecast to increase by about 60% due to higher seeded area, lower abandonment and a return to near-normal yields. Supplies are forecast to increase, resulting in higher exports and domestic crush. Carry-out stocks are expected to rise, but remain low. The price of canola is forecast to decrease to \$375/t, I/S VC, from \$425/t in 2002-03, due largely to increased world oilseed production.

FLAXSEED (excluding solin)

For 2002-03, exports are expected to rise slightly despite reduced supplies. Carry-out stocks are forecast to decrease significantly. For 2003-04, production is forecast to rise due to increased seeded area and higher yields. Exports are projected to increase due to continued strong demand from the EU. Prices are forecast to fall by about 10%, to \$380/t, I/S Thunder Bay, due to higher supplies.

SOYBEANS

For 2002-03, imports are expected to decrease sharply due to increased production. Domestic use and exports are forecast to rise due to increased supplies. Carry-out stocks are projected to decrease.

For 2003-04, production is forecast to increase as higher yields more than offset a drop in seeded area. Domestic use is projected to remain stable while exports increase. The average price of soybeans is forecast to fall to \$290/t, I/S Chatham, from \$310/t in 2002-03, due to higher soybean production in the US and South America.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

MARCH 13, 2003

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use	Feed, Waste & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes-----											
Durum											
2001-2002	2,036	1.47	2,987	12	5,871	3,628	249	126	613	1,631	260.43
2002-2003f	2,185	1.70	3,714	10	5,355	3,200	250	275	755	1,400	277 *
2003-2004f	2,390	2.09	5,000	10	6,410	3,200	250	540	1,010	2,200	227 *
Wheat Except Durum											
2001-2002	8,550	2.06	17,581	85	24,452	12,580	2,792	3,393	6,971	4,901	207.16
2002-2003f	6,428	1.86	11,976	225	17,102	6,500	2,800	3,457	7,102	3,500	267 *
2003-2004f	8,250	2.44	20,100	150	23,750	12,000	2,840	3,355	7,050	4,700	204 *
All Wheat											
2001-2002	10,585	1.94	20,568	97	30,323	16,207	3,041	3,519	7,584	6,532	
2002-2003f	8,613	1.82	15,690	235	22,457	9,700	3,050	3,732	7,857	4,900	
2003-2004f	10,640	2.36	25,100	160	30,160	15,200	3,090	3,895	8,060	6,900	
Barley											
2001-2002	4,150	2.61	10,846	112	13,473	1,758	306	8,968	9,723	1,993	158.60
2002-2003f	3,267	2.23	7,283	200	9,476	800	300	6,521	7,276	1,400	170-190
2003-2004f	4,380	2.92	12,800	40	14,240	2,000	300	9,000	9,740	2,500	125-155
Corn											
2001-2002	1,267	6.62	8,389	3,882	13,151	193	2,285	9,583	11,903	1,056	132.90
2002-2003f	1,288	7.04	9,065	4,300	14,421	300	2,425	10,361	12,821	1,300	140-160
2003-2004f	1,225	7.27	8,900	2,000	12,200	300	2,600	8,165	10,800	1,100	115-145
Oats											
2001-2002	1,238	2.17	2,691	53	3,598	1,409	118	1,498	1,824	365	202.19
2002-2003f	1,298	2.12	2,749	15	3,129	1,200	150	1,211	1,579	350	205-225
2003-2004f	1,590	2.35	3,740	5	4,095	1,675	150	1,561	1,920	500	130-160
Rye											
2001-2002	123	1.85	228	4	309	62	39	144	198	49	
2002-2003f	77	1.74	134	5	188	45	38	57	113	30	
2003-2004f	167	2.19	365	5	400	85	67	150	235	80	
Mixed Grains											
2001-2002	159	2.80	447	0	447	0	0	447	447	0	
2002-2003f	132	2.72	359	0	359	0	0	359	359	0	
2003-2004f	165	2.82	465	0	465	0	0	465	465	0	
Total Coarse Grains											
2001-2002	6,937	3.26	22,600	4,051	30,978	3,422	2,748	20,639	24,093	3,462	
2002-2003f	6,062	3.23	19,589	4,520	27,572	2,345	2,913	18,508	22,147	3,079	
2003-2004f	7,527	3.49	26,270	2,050	31,399	4,060	3,117	19,341	23,160	4,179	
Canola											
2001-2002	3,765	1.31	4,926	226	6,240	2,524	2,293	176	2,502	1,215	357.45
2002-2003f	2,857	1.25	3,577	225	5,017	2,300	2,025	197	2,267	450	410-440
2003-2004f	4,225	1.37	5,780	200	6,430	2,750	2,500	335	2,880	800	360-390
Flaxseed excluding Solin											
2001-2002	662	1.08	715	24	998	618	n/a	n/a	191	189	319.77
2002-2003f	633	1.07	679	25	893	625	n/a	n/a	173	95	410-440
2003-2004f	711	1.26	895	15	1,005	650	n/a	n/a	190	165	365-395
Soybeans											
2001-2002	1,069	1.53	1,635	982	2,803	495	n/a	n/a	2,136	172	269.01
2002-2003f	1,024	2.28	2,335	450	2,957	600	n/a	n/a	2,217	140	295-325
2003-2004f	993	2.62	2,600	550	3,290	850	n/a	n/a	2,240	200	275-305
Total Oilseeds											
2001-2002	5,495	1.32	7,277	1,233	10,041	3,637	n/a	n/a	4,828	1,576	
2002-2003f	4,514	1.46	6,591	700	8,867	3,525	n/a	n/a	4,657	685	
2003-2004f	5,929	1.56	9,275	765	10,725	4,250	n/a	n/a	5,310	1,165	
Total Grains And Oilseeds											
2001-2002	23,018	2.19	50,444	5,381	71,342	23,266	n/a	n/a	36,505	11,570	
2002-2003f	19,189	2.18	41,871	5,455	58,896	15,570	n/a	n/a	34,661	8,664	
2003-2004f	24,096	2.52	60,645	2,975	72,284	23,510	n/a	n/a	36,530	12,244	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

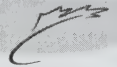
(d) Includes seed use. For flaxseed and soybeans, food/industrial use and feed/waste/dockage are included in the total domestic use, but are not listed due to data confidentiality.

(e) Crop year average prices: No.1 CWRS 11.5% and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* February 2003 CWB Pool Return Outlook (PRO).

f: forecast, Agriculture and Agri-Food Canada, March 13, 2003

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

MARCH 13, 2003

For 2002-03, total production of pulse and special crops in Canada decreased by 25% to 2.78 million tonnes (Mt), largely because of drought in central and northern regions of Saskatchewan and Alberta. The average quality of the dry pea, lentil, chick pea, mustard seed and sunflower seed crops was lower than normal because of significant damage from frost, rain and disease. Despite lower exports and domestic use, carry-out stocks are expected to fall sharply. Average prices, over all types, grades and markets, are forecast to increase from 2001-02 for dry peas, lentils, sunflower seed and buckwheat, decrease for dry beans, chick peas and mustard seed, and be the same for canary seed.

For 2003-04, total area seeded to pulse and special crops in Canada is forecast to decrease by 9% because of one or more of the following factors, depending on the crop: lower expected net returns than for competing crops, higher production risk than for competing crops or shortages of seed. It is assumed that precipitation will be normal for the spring and summer. However, for western Canada, due to the current dry conditions in many areas, yields are forecast to be below trend but, in general, significantly higher than in 2002-03. For eastern Canada, trend yields are assumed. It has been assumed that the abandonment rate will return to normal and an increased portion of the area seeded will be harvested. It has also been assumed that the average crop quality will return to normal. Total Canadian production is forecast to increase by 43% to 3.97 Mt. Total supply is expected to increase by 22% to 4.3 Mt. Exports and domestic use are forecast to increase in line with the higher supplies. Carry-out stocks are expected to remain low. Average prices, compared to 2002-03, are forecast to decrease for most crops, but increase for dry beans and chick peas, and be stable for buckwheat. However, prices are expected to be very sensitive to any production problems due to low world carry-in stocks for most crops. The main factors to watch will be precipitation during the spring and summer in western Canada, the exchange rate of the Canadian dollar against the US dollar and other currencies, and growing conditions in major producing and importing countries.

DRY PEAS

For 2002-03, due to lower production and supply, Canadian exports are forecast to decrease. The average price is forecast to increase, compared to 2001-02, as carry-out stocks decrease to a low level.

For 2003-04, the area seeded is forecast to decrease by about 5% from 2002-03. Production and supply are forecast to increase significantly due to expected higher yields and lower abandonment. World supply is expected to increase by 12% to 10.8 Mt, mainly because of higher production in Canada and Australia, but this is expected to be offset by increased consumption. Canadian exports and domestic use are forecast to rise. Carry-out stocks are forecast to remain low. The average price, compared to 2002-03, over all types, grades and markets, is forecast to decrease.

LENTILS

For 2002-03, due to lower production and supply, Canadian exports are forecast to decrease. Carry-out stocks are forecast to fall to a very low level and the average price is forecast to increase.

For 2003-04, the seeded area is forecast to decrease by about 10% from 2002-03. Production and supply are forecast to increase significantly due to expected higher yields and lower abandonment. World supply is forecast to increase by 5% to 3.4 Mt, due mainly to higher Canadian production. Canadian exports are expected to increase, as Canada's share of world supply increases. Carry-out stocks are forecast to remain low. The average price, over all types and grades, is forecast to decrease.

DRY BEANS

For 2002-03, production and supply increased significantly in Canada and the US. Canadian exports are forecast to increase because of higher supply and lower prices. Carry-out stocks are expected to increase, with a stocks-to-use (s/u) ratio of 15% and the average price is forecast to decrease.

For 2003-04, area seeded is forecast to decrease by about 25%. Production and supply are

expected to fall significantly. Production and supply are also forecast to decrease in the US. Canadian exports are forecast to decrease due to the lower supply. Carry-out stocks are expected to decrease to a low level. The average price, over all classes and grades, is forecast to increase.

CHICK PEAS

For 2002-03, due to lower production and supply, Canadian exports are forecast to decrease. Carry-out stocks are forecast to decrease to a low level. The average price is forecast to decrease because of lower average quality and a shift away from the production of the higher priced large kabuli type.

For 2003-04, the area seeded is forecast to decrease by about 35%, with a shift in production to the desi type, due to the high risk of producing the kabuli type. Although production is expected to increase slightly, supply is forecast to decrease sharply due to lower carry-in stocks. World supply is expected to increase by about 8% to 7.9 Mt. Canadian exports are forecast to decrease due to the lower supply. Carry-out stocks are expected to remain low. The average price, over all types, grades and sizes, is forecast to increase due to higher expected quality.

MUSTARD SEED

For 2002-03, due to lower supply, exports are forecast to decrease. Carry-out stocks are expected to decrease to a low level and the average price is forecast to decrease, as lower prices for the yellow type more than offset higher prices for the brown and oriental types.

For 2003-04, area seeded is expected to decrease by about 5% from 2002-03. Production and supply are forecast to increase significantly due to expected higher yields and lower abandonment. Although exports are expected to rise, carry-out stocks are also forecast to increase, with a s/u ratio of 9%. The average price, over all types and grades, is expected to decrease.

CANARY SEED

For 2002-03, due to higher production and supply, Canadian exports are forecast to increase. Carry-out stocks are expected to decrease, with a

s/u ratio of 11%. The average price is forecast to be the same as in 2001-02.

For 2003-04, area seeded is expected to be similar to 2002-03. Production and supply are forecast to increase significantly due to expected higher yields and lower abandonment. World supply is forecast to increase by 30% to 320,000 t. Canadian exports are expected to increase in line with the higher supply. Carry-out stocks are forecast to increase, with a s/u ratio of 26%. The average price is forecast to decrease.

SUNFLOWER SEED

For 2002-03, due to higher production and supply, Canadian exports and domestic use are expected to increase. Carry-out stocks are forecast to decrease, with a s/u ratio of 11%. The average price is forecast to increase.

For 2003-04, area seeded is expected to decrease by about 5%. Production and supply are also forecast to decrease. World supply is expected to increase by 3% to 24.8 Mt, due to higher production of the oilseed type. Canadian exports are expected to decrease slightly due to lower supply. Carry-out stocks are forecast to decrease to a low level. The average price, over both types and all grades, is forecast to decrease because of higher world supply.

BUCKWHEAT

For 2002-03, exports are expected to be similar to 2001-02. The average price, over all grades and markets, is forecast to increase due to the lower supply.

For 2003-04, seeded area is forecast to decrease by about 10%, but production is forecast to remain stable due to an expected return to normal yields. The average price is forecast to be the same as in 2002-03.

FURTHER INFORMATION:

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www.agr.gc.ca/mad-dam/
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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

MARCH 13, 2003

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----									
Dry Peas									
1999-2000	835	2.70	2,252	12	2,639	1,417	822	400	135
2000-2001	1,220	2.35	2,864	12	3,276	2,196	885	195	138
2001-2002	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003f	1,050	1.30	1,365	30	1,670	1,000	570	100	205-235
2003-2004f	1,190	1.94	2,305	20	2,425	1,550	775	100	165-195
Lentils									
1999-2000	497	1.46	724	10	794	503	211	80	380
2000-2001	688	1.33	914	5	999	475	268	256	295
2001-2002	664	.85	566	6	828	478	219	131	320
2002-2003f	387	.91	354	5	490	330	150	10	385-415
2003-2004f	525	1.12	590	5	605	420	175	10	365-395
Dry Beans									
1999-2000	154	1.91	294	41	360	260	60	40	500
2000-2001	162	1.65	268	40	348	227	71	50	465
2001-2002	175	1.70	298	42	390	263	97	30	725
2002-2003f	219	1.89	414	20	464	290	114	60	465-495
2003-2004f	168	1.70	285	30	375	275	90	10	530-560
Chick Peas									
1999-2000	139	1.42	197	5	207	56	136	15	390
2000-2001	283	1.37	388	5	408	179	199	30	410
2001-2002	467	.97	455	12	497	180	187	130	380
2002-2003f	154	1.01	156	10	296	160	116	20	325-355
2003-2004f	136	1.18	160	15	195	100	85	10	360-390
Mustard Seed									
1999-2000	273	1.12	306	1	357	170	72	115	285
2000-2001	208	.97	202	1	318	151	62	105	280
2001-2002	158	.66	105	3	213	168	12	33	685
2002-2003f	255	.60	154	7	193	155	29	10	640-670
2003-2004f	270	.85	230	1	241	170	51	20	435-465
Canary Seed									
1999-2000	146	1.14	166	0	276	157	29	90	240
2000-2001	164	1.04	171	0	261	170	21	70	265
2001-2002	164	.70	114	0	184	134	20	30	660
2002-2003f	214	.77	164	0	194	145	29	20	645-675
2003-2004f	265	.92	245	0	265	160	50	55	360-390
Sunflower Seed									
1999-2000	79	1.54	122	19	145	49	55	41	295
2000-2001	69	1.72	119	18	178	77	55	46	320
2001-2002	67	1.55	104	30	180	92	66	22	355
2002-2003f	95	1.65	157	15	194	100	74	20	425-455
2003-2004f	90	1.61	145	20	185	95	75	15	400-430
Buckwheat									
1999-2000	13	1.00	13	1	16	8	7	1	305
2000-2001	15	.93	14	1	16	9	7	0	305
2001-2002	14	1.14	16	1	17	7	8	2	325
2002-2003f	12	1.00	12	1	15	7	7	1	320-350
2003-2004f	11	1.09	12	1	14	7	7	0	320-350
Total Pulse And Special Crops (c)									
1999-2000	2,136	1.91	4,074	89	4,794	2,620	1,392	782	
2000-2001	2,809	1.76	4,940	82	5,804	3,484	1,568	752	
2001-2002	2,994	1.23	3,681	121	4,554	2,703	1,198	653	
2002-2003f	2,386	1.16	2,776	87	3,516	2,187	1,088	241	
2003-2004f	2,655	1.50	3,972	92	4,305	2,777	1,308	220	

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, March 13, 2003

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL 48%	CANOLA MEAL	MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	March 10, 2003	FOB		228.16	N/A	185.00	181.00		335.00	250.38	165.00	325.00	900.00	560.00					400.00
BC	March 3, 2003			228.16	N/A	185.00	192.00		339.13	248.75	184.00	330.00	900.00	540.00					400.00
Calgary	March 10, 2003	FOB		205.00	N/A	185.00	170.00		330.00	N/A		285.00	950.00	595.00					400.00
AB	March 3, 2003			205.00	N/A	185.00	175.00		336.50	N/A		290.00	950.00	585.00					400.00
Saskatoon	March 10, 2003	FOB		184.00	235.00	160.00	174.00		319.00	240.00		285.00	N/A	595.00			193.33		465.00
SK	March 3, 2003			184.00	235.00	160.00	174.00		323.00	240.00		290.00	N/A	585.00			194.00		465.00
Melfort	March 10, 2003	FOB																	
SK	March 3, 2003																		
Winnipeg	March 10, 2003	FOB		177.00	215.00	169.50	158.00		308.00	235.00		305.00	925.00	480.00					450.00
MB	March 3, 2003			182.00	215.00	173.00	160.00		315.00	235.00		305.00	925.00	480.00					450.00
Thunder Bay	March 10, 2003	In-Store		203.00	N/A	166.00													
ON	March 3, 2003			200.50	N/A	163.20													
Lake Ports	March 10, 2003	On Board					104.12												
USA	March 3, 2003	Vessel					103.53												
Bay Ports	March 10, 2003	In-Store		231.00	320.00	N/A													
ON	March 3, 2003			231.00	320.00	N/A													
Chatham	March 10, 2003	Track					160.92												
ON	March 3, 2003						160.92												
Toronto	March 10, 2003	N/A						FOB				295.67	N/A	465.00				285.00	332.50
ON	March 3, 2003	N/A										292.33	N/A	465.00				285.00	332.50
Hamilton	March 10, 2003								288.10	N/A									
ON	March 3, 2003								288.10	N/A									
Eastern	March 10, 2003	FOB					165.20												
ON	March 3, 2003						164.80												
London	March 10, 2003	FOB													430.00	162.00			
ON	March 3, 2003														430.00	159.00			
Port Colborne	March 10, 2003	FOB									129.50				430.00	162.00			
ON	March 3, 2003										127.50				430.00	159.00			
Cardinal	March 10, 2003	FOB													430.00	162.00			
ON	March 3, 2003														430.00	159.00			
Montreal	March 10, 2003			N/A	N/A	N/A	N/A		326.91	243.50	149.33	303.00	850.00	430.00	430.00	162.00		268.00	360.00
QC	March 3, 2003			N/A	N/A	N/A	N/A	FOB	329.10	250.23	150.00	298.00	850.00	430.00	430.00	159.00		268.00	320.00
Trois-Rivières	March 10, 2003	In-Store		233.00		N/A	168.10												
QC	March 3, 2003			233.00		N/A	165.25												
St. Jean QC	March 10, 2003	FOB		211.33	196.25	170.33	165.13		318.13										
QC	March 3, 2003			201.33	203.00	170.33	164.05		320.13										
St. Hyacinthe QC	March 10, 2003	In-Store		208.00	N/A	208.00	170.00		285.90										
Quebec	March 3, 2003			210.33	N/A	202.67	169.98	FOB	306.20										
QC	March 10, 2003	Track		231.28	230.00	235.02	200.51		350.64	291.62		336.00		435.00					360.00
Truro	March 3, 2003			241.28	230.00	235.22	200.72	FOB	343.24	291.06		319.00		435.00					340.00
NS	March 10, 2003	Water		N/A	N/A	N/A	195.20												
Truro	March 3, 2003	& Truck		N/A	N/A	N/A	186.80												
NS	March 10, 2003	In-Store		N/A	N/A	N/A	186.20												
Halifax	March 3, 2003			N/A	N/A	N/A	187.40					302.50		270.00					
NS	March 10, 2003			N/A	N/A	N/A						302.50		270.00					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodities Exchange market close
US\$1.00=CANS1.4662 closing date March 7, 2003
N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No.1 Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified.
Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein, Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal.
Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley Cash Price WCE (9) Oats 3CWF

B. CASH PRICES AND REPLACEMENT VALUES

March 10, 2003

PRAIRIE GRAINS

Selected Points	Price Basis		This week 10-Mar-03	Last week 3-Mar-03		Month ago 10-Feb-03	Year ago 11-Feb-02
From: Thunder Bay 2	In-Store	Wheat	179.00	189.20		191.00	172.50
CBOT		Oat	215.75	209.75		204.25	N/A
Lethbridge		Barley	168.00	171.50	1	173.50	158.00
To: Bayport, ON	In-store	Wheat	202.61	212.81		214.61	197.61
		Oat	N/A	N/A	1	N/A	N/A
		Barley	195.39	198.89	1	200.89	187.45
Montreal, QC	In-store	Wheat	207.03	217.23	1	219.03	202.46
		Oat	N/A	N/A		N/A	N/A
		Barley	200.31	203.81		205.81	192.96
Moncton, NB	Truck via Halifax	Wheat	229.25	239.45		241.25	224.96
		Oat	N/A	N/A		N/A	N/A
		Barley	224.50	228.00		230.00	219.02
Truro, NS	Truck via Halifax	Wheat	223.22	233.42		235.22	222.40
		Oat	N/A	N/A		N/A	N/A
		Barley	222.00	225.50		227.50	214.14
Halifax, NS	In-store	Wheat	214.28	224.48	1	226.28	209.73
		Oat	N/A	N/A	1	N/A	N/A
		Barley	208.30	211.80	1	213.80	200.47
Stephenville, NL	Track / Truck via Sydney	Wheat	277.63	287.83		293.63	267.43
		Oat	N/A	N/A		N/A	N/A
		Barley	N/A	N/A		N/A	265.14
Melfort, SK		Wheat	N/A	N/A		N/A	163.50
		Oat	N/A	N/A		N/A	253.02
	Track	Barley	N/A	N/A		N/A	151.40
Bayport, ON		Wheat	N/A	N/A		N/A	212.65
		Oat	N/A	N/A		N/A	309.91
	Track	Barley	N/A	N/A		N/A	201.10
Montreal, QC		Wheat	N/A	N/A		N/A	213.41
		Oat	N/A	N/A		N/A	313.63
	Track	Barley	N/A	N/A		N/A	201.92
Moncton, NB		Wheat	N/A	N/A		N/A	241.69
		Oat	N/A	N/A		N/A	337.91
	Track	Barley	N/A	N/A		N/A	239.88
Truro, NS		Wheat	N/A	N/A		N/A	338.92
		Oat	N/A	N/A		N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A		N/A	286.94
Stephenville, NL		Wheat	N/A	N/A		N/A	388.20
		Oat	N/A	N/A		N/A	288.74
		Barley	N/A	N/A		N/A	N/A

Selected Points	Price Basis		This week 10-Mar-03	Last week 3-Mar-03		Month ago 10-Feb-03	Year ago 11-Feb-02
Corn							
From: US Lake Port	On Board Vessel		150.51	150.51		156.14	127.50
To: Montreal, QC	In-store		169.55	169.55	1	175.18	148.62
From: Chicago (Mi)	Track		148.34	148.34		151.95	133.16
To: Montreal, QC	Track		177.20	177.20		180.71	162.19
From: Chatham, ON	Track		160.82	160.82		161.31	134.15
To: Montreal, QC	Track		184.62	184.62		185.11	157.53

Soymeal 48% Protein

From: Hamilton, ON			261.01	261.01		260.77	289.46
To: Montreal, QC	Track		285.34	285.34		285.10	313.88
Moncton, NB	Track		304.09	304.09		303.85	337.09
Truro, NS	Track		307.31	307.31		307.07	335.92
Stephenville, NL	Track / Truck via Sydney		355.94	355.94		355.7	384.72

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Market Analysis Division, Agriculture and Agri-Food Canada

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Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



Bi-weekly Bulletin

March 31, 2003 Volume 16 Number 7

WHEAT: 2002-2003 SITUATION AND 2003-2004 OUTLOOK

Wheat prices increased sharply beginning in the spring of 2002, due to drought-reduced production in the major exporting countries of Canada, the United States (US), and Australia, but started to decline in the fall mainly due to large exports from Russia and Ukraine. The US export price for hard winter ordinary protein wheat free on board (FOB) Gulf ports has fallen by 28% from the high reached in October, and is now only about 10% above its pre-rally level. Despite the declines, prices in 2002-2003 are expected to average well above 2001-2002. For 2003-2004, prices are expected to continue to decline from current levels, assuming normal growing conditions in the major wheat producing regions of the world. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for wheat for 2002-2003 and 2003-2004. "Wheat" refers to all wheat including durum, unless otherwise specified.

WORLD

World wheat supplies for **2002-2003** are estimated by the United States Department of Agriculture (USDA) to have decreased by about 16 million tonnes (Mt) from 2001-2002, to 768 Mt, due to a combination of lower production and reduced carry-in stocks. Consumption is projected to increase, with non-feed use rising slightly to 478 Mt, while feed use of wheat is expected to increase by 9% to 118 Mt, the highest since 1990-1991, largely due to record imports of feed wheat into the European Union (EU). World carry-out stocks are expected to decline by 14%, to 173 Mt, with the stock-to-use (S/U) ratio falling to 29%, the lowest since 1996-1997. Wheat trade is expected to decline by 5 Mt, to 105 Mt.

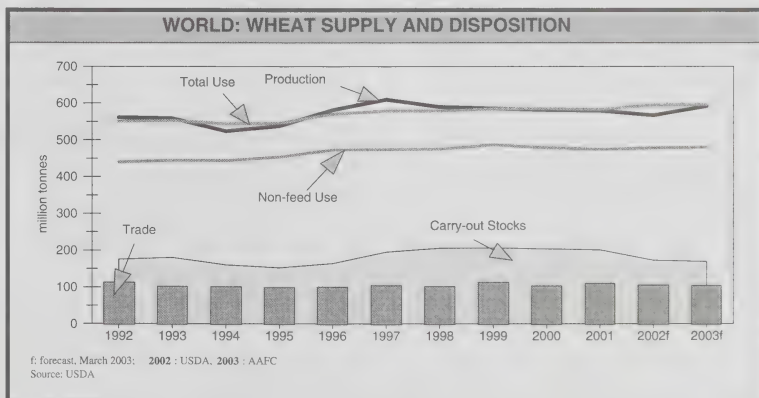
For **2003-2004**, world wheat production is projected by Agriculture and Agri-Food Canada (AAFC) at 592 Mt, an increase of 5% and the highest since 1997-1998. Supplies are forecast to be down slightly, however, due to lower carry-in stocks.

Consumption is expected to be up marginally, at a record 596 Mt, with feed use remaining high due to continued exports of feed wheat from the Black Sea region. Carry-out stocks are projected to decline by 2%, to 169 Mt.

United States

For **2002-2003**, wheat harvested area decreased by 2% from 2001-2002, due to the drought in a large portion of the Great Plains and the resultant increase in

abandonment in the hard red winter (HRW) and hard red spring (HRS) growing regions. Overall wheat yields declined by 13% from 2001-2002, to just 35.3 bushels per acre (bu/ac.), the lowest since 1991-1992. All wheat production declined by 17% from 2001-2002, to 1.62 billion bushels (Gbu) (44 Mt), the lowest since 1972-1973. US exports are forecast by USDA to decline by 9%, to only 875 Mbu (23.8 Mt), the lowest since 1971-1972. Despite the lower exports, carry-out stocks



are projected to fall sharply to 465 Mbu (12.7 Mt), 40% below 2001-2002, with a S/U ratio of 23%, down from 36% in 2001-2002 and the lowest since 1996-1997.

For **2003-2004**, US wheat area is estimated by USDA to increase by 2% to 62 million acres. While the northern Plains have been dryer than normal, recent rains have alleviated these concerns. Moisture conditions in Texas, Oklahoma, and Kansas are much better than a year ago. Production is forecast by AAFC to recover by 26%, to 2.04 Gbu (55.4 Mt). Supplies would rise by only 5%, however, due to the lower carry-in stocks. Exports are forecast to decline to 850 Mbu, due to increased competition from Canada, Argentina and Australia, and continued strong competition from the minor exporters. Carry-out stocks are projected to increase by 10%, to 505 Mbu (13.7 Mt), with a stock-to-use ratio of 24%.

The new Farm Security and Rural Investment Act (FSRIA) has retained the loan deficiency payment and marketing loan program of the 1996 FAIR Act, but has increased the loan rates for wheat and reintroduced target prices. The new national loan rate for wheat for 2002-2003 and 2003-2004 is US\$2.80 per bushel (/bu), an increase of US\$0.22/bu. This includes the change to individual loan rates by class of wheat. The loan rates for soft red winter (SRW) wheat are actually lower than they were under FAIR in many counties, while the rates for HRW, HRS and durum wheat have increased. The loan rates for HRS and durum now reflect the premium that these crops receive in the market over other classes of wheat. The 2002-2003 loan rates were announced too late to impact on seeded areas for 2002-2003, but it is expected that for 2003-2004 the higher support levels will result in higher seeded areas than justified by market prices, particularly for durum wheat.

Another feature of the FSRIA has been the reintroduction of a target price, which determines the "counter-cyclical payment".

This is US\$3.86/bu for wheat, above both the loan rate and expected actual farm prices. The target price is not county-specific. The payment is calculated as the target price minus the fixed payment (US\$0.25/bu) minus the higher of the loan rate or the average farm price. The payment is based on 85% of a farmer's base acres and yields, and is decoupled from a farmer's actual seeded area, so it is not expected to impact on seeded area.

European Union

For **2002-2003**, EU wheat production was a near record 103.3 Mt, 13% higher than in 2001-2002. Despite the large production, imports are forecast to rise to a record 10.5 Mt, making the EU the largest importer of wheat in the world for the second consecutive year. This is due to large supplies of cheap feed quality wheat in the Black Sea region, particularly Russia and Ukraine, which flowed unimpeded into the EU until the imposition of a duty in January 2003. EU domestic consumption is forecast at a record 98.1 Mt, due to a record 53.3 Mt of feed use, 12% higher than in the previous year. Exports are projected to rise by 35%, to 15.5 Mt, partly due to the aggressive use of export subsidies to prevent wheat from entering intervention stores, and carry-out stocks are expected to be up only marginally, at 11 Mt.

The EU was able to export wheat without subsidy for much of 2001-2002 and early 2002-2003 due to a combination of a lower intervention price, rising world wheat prices and the declining value of the euro. Under the terms of Agenda 2000, effective July 1, 2000, the intervention price was lowered to €110.25 per tonne (/t), from €119.19/t for 1999-2000 and it was further lowered to €101.31/t on July 1, 2001. However, the euro has appreciated against the US dollar, and as of March 28, 2003, the €/US\$ exchange rate was 0.934, versus the 2001-2002 average of 1.103. This makes EU wheat less competitive in world export markets. In 2002-2003, the EU is allowed to subsidize the export of 14.4 Mt of wheat, meaning

that almost all projected exports could potentially be made with a subsidy. Since January 2003, the subsidy has averaged €9.94/t (CAN\$16.23/t).

For **2003-2004**, another large EU wheat crop is expected, as the crop is currently in good condition. Imports are forecast to decline to 5.0 Mt due to lower exportable supplies in Ukraine and Russia, and the imposition of the duty on imports of wheat from these countries. Lower world prices will make EU wheat less competitive on world markets, and competition from other exporters such as the US, Canada and Australia is expected to increase, so that EU exports are projected to decline to 11.5 Mt. As a result, export subsidies are expected to remain relatively high. Carry-out stocks are forecast to rise by 23%, to 13.5 Mt.

Australia

Australia experienced one of its worst droughts in **2002-2003**, with the dryness attributed to an El Niño weather phenomenon, and production dropped by 62% to only 9.5 Mt, the lowest since 1994-1995. Exports are projected to fall by 45%, to only 9 Mt. Carry-out stocks are forecast at only 3.1 Mt, a decline of 60% from the previous year. The outlook for **2003-2004** is very tentative at this time, as the crop will not even be seeded for several months. Assuming that the El Niño ends over the next few months, yields should recover sharply, however, and production is forecast at 23 Mt. Exports are forecast to increase by 33%, to 12 Mt (October-September).

Argentina

A major factor impacting Argentine wheat production in **2002-2003** was that country's economic crisis, which limited farmers' access to credit because of the financial difficulties facing the banks. Use of inputs such as fertilizer and herbicides is reported to have declined. Excess rain was also received in many regions late in the growing season, further impacting on crop yields and quality. As a result, both area and yields declined significantly from

2001-2002, with production down by 19% at 12.5 Mt. Exports are forecast to decline by 35% from 2001-2002, to 7.5 Mt (December-November). For **2003-2004**, the economic situation is expected to improve and both area and yields are expected to increase. Production is forecast at 15.5 Mt, with exports expected to rise by 40%, to 10.5 Mt.

Former Soviet Union (FSU)

Increased exports of wheat from the FSU countries, particularly Russia, Ukraine and Kazakhstan, became a major factor in world wheat trade in 2001-2002, and these have increased further in **2002-2003**. The increased exports were made possible by two years of bumper crops, with 2001-2002 production up by 48% at 93.0 Mt, and 2002-2003 production rising by a further 6%, to 98.4 Mt, the highest since 1990-1991. Exports rose five-fold in 2001-2002, to a record 14.0 Mt (including FSU intra-trade), and are forecast to increase by a further 71% in 2002-2003, to 23.8 Mt, which will account for 23% of total world wheat trade. Despite the large exports, carry-out stocks are projected to rise to 20.2 Mt in 2002-2003, from only 6.1 Mt in 2000-2001. There have been recent reports that 2002-2003 Ukraine production may be lower than first estimated, as milling wheat supplies have become tight and, as a result, exports and carry-out stocks may be lower than currently forecast. For **2003-2004**, production is forecast to decline by 12%, to 86 Mt, due to decreased area in Russia and winterkill

in Ukraine. This will be partly offset by the higher carry-in stocks, so that supplies will be down by 9% from the current year. FSU exports are projected to fall by 29%, to 17 Mt, partly due to the new EU duty which will reduce demand for FSU feed quality wheat. Carry-out stocks are forecast to decline by 20%, to 16 Mt.

Eastern Europe

Eastern European wheat production declined by 12% in **2002-2003**, to 30.7 Mt, slightly below the 5-year average. Exports are forecast to fall by 13%, to 3.6 Mt. For **2003-2004**, production is expected to recover to 33.3 Mt, but exports are projected to decline slightly, to 3.5 Mt, due to increased domestic use, lower world prices and greater competition from other exporters.

Most of the Eastern European countries are expected to accede to the EU over the next few years, which could have major implications for world wheat trade. Hungary, Poland, the Czech Republic, Slovakia and Slovenia are scheduled to join the EU on May 1, 2004, while Romania and Bulgaria are expected to join by 2007. Once part of the EU, the rates of increase in the modernization of this region's agriculture infrastructure and use of agricultural inputs is expected to proceed at a faster pace. Production could quickly rise to 40 Mt or more, a level which was seen in the late 1980s under Communist rule. Although domestic consumption is expected to rise as this

region's economy grows, the EU may be faced with the task of exporting a significant additional quantity of wheat.

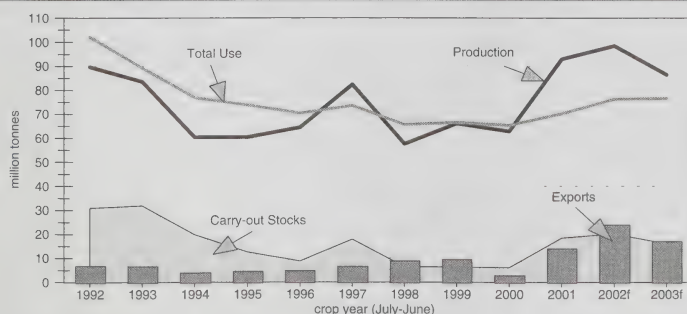
India

Indian wheat production is supported by high internal guaranteed prices, and has been steadily increasing, resulting in a sharp buildup of stocks. Production reached a record 76.4 Mt in 2000-2001, fell back to 68.8 Mt in 2001-2002, and rose again to 71.8 Mt in **2002-2003**. This exceeded domestic consumption of about 65 Mt, and stocks continued to rise, reaching a projected record 28.0 Mt, or 40% of use, at the end of 2002-2003. For 2002-2003, exports are forecast to reach a record 5.0 Mt. Indian wheat tends to be of low quality, and much has been exported as feed into the southeast Asia market. It does not compete directly with Canadian wheat in any market, but its availability has had a depressing effect on world and thus Canadian prices nonetheless. With stocks becoming increasingly burdensome, it is possible that the Indian government could become aggressive with export subsidies to dispose of the excess supplies. For **2003-2004**, Indian wheat production is forecast to decline slightly, to 70.5 Mt. Exports are forecast to decline to 4 Mt, with carry-out stocks up by 7%, at 29.9 Mt.

China

Excluding the EU, China is the world's largest wheat producer, and it has been the largest wheat importer in many years, although imports have been small since 1995-1996. China has actually been a net exporter since 2000-2001. Area seeded for **2002-2003** decreased to the lowest level since the mid-1960s, largely due to lower government support, particularly for lower quality wheat, and an emphasis on producing higher quality varieties. Production decreased by 3% from 2001-2002, to 91 Mt, the lowest since 1989-1990. With lower carry-in stocks, supplies are down by 10%, at 168 Mt. However, carry-in stocks remain high, at 76.6 Mt, equal to 70% of use, and as a result imports are forecast to remain very low, falling from 1.1 Mt in 2001-2002 to 0.7 Mt

FORMER SOVIET UNION: WHEAT SUPPLY AND DISPOSITION



f: forecast, March 2003; 2002: USDA; 2003: AAFC
Source: USDA

for 2002-2003. Imports from Canada are expected to decline to about 0.1 Mt, due to a shortage of supplies, from 0.8 Mt in 2001-2002. For **2003-2004**, Chinese wheat production is expected to remain near the current year's level, and consumption is also expected to be relatively flat, remaining near 105 Mt. Carry-out stocks are therefore projected to decline by a further 23%, to 47 Mt, but this remains equal to 45% of use. Imports are forecast to remain relatively low, rising to 1.5 Mt, with the Canadian share 0.5 to 1.0 Mt.

Over the longer term, increased imports may be required, as wheat demand has exceeded production every year since the late 1970s, except for 1997-1998. Changes to China's internal price support and import control policies, as part of China's compliance with World Trade Organization rules, are also expected to increase imports of wheat.

Middle East

After three years of drought, growing conditions in the Middle Eastern countries, particularly Syria, Iraq, and Iran, improved in **2002-2003**, and wheat production in this region is estimated at 38.0 Mt, up 22% from 2001-2002. As a result, regional imports are expected to decline by 26% from 2001-2002, to 11.9 Mt, versus the 5-year average of 15 Mt. The major Canadian market in this region is Iran, which imported 0.8 Mt of wheat from Canada in 2001-2002. This is expected to fall to near zero in 2002-2003 due to reduced supplies in Canada. For **2003-2004**, Middle Eastern production is forecast at 35 Mt. As a result of lower domestic supplies, imports are forecast to rise by 22%, to 14.5 Mt, and Canadian exports to Iran are expected to resume.

Canada

For **non-durum wheat**, area seeded declined by 7% for **2002-2003**, to 8.2 million hectares (Mha). Large portions of Saskatchewan and Alberta experienced a second year of drought in the summer of 2002, with the 2002 drought the most severe ever recorded in many regions. A

large portion of the wheat crop was unharvestable, and other wheat was cut as fodder to replace the reduced hay crop. As a result, the abandonment of non-durum wheat is estimated at 21%, versus the normal 2%. Average yields on the remaining area were down by 9%, at 1.86 tonnes/hectare (t/ha) (28 bu/ac.), the lowest since 1989-1990. Production is estimated at 12.0 Mt, down by 32% from 2001-2002, and the lowest since 1970-1971. Quality of the crop is well below normal, due to excess moisture at harvest which resulted in bleaching, mildew and sprouting, further reducing supplies of top quality wheat. Carry-in stocks have fallen by 28%, and supplies are 30% lower than for 2001-2002, at 17.1 Mt. Domestic use is forecast to increase by 2%, partly due to greater feed use associated with the poor quality of the crop and lower barley supplies. Exports are forecast to fall by almost 50%, to just 6.5 Mt, the lowest since 1956-1957, and well below the 5-year average of 13.5 Mt. Canadian Wheat Board (CWB) sales to most markets, except the Canadian domestic market and perhaps Japan, are being rationed in 2002-2003. Carry-out stocks are projected to fall by 29%, to 3.5 Mt, the lowest recorded in modern times.

For **2003-2004**, Canadian non-durum wheat seeded area is expected to rise by 5%, due to the stronger prices received in 2002-2003. Assuming a return to normal abandonment, harvested area will rise by 28%, to 8.3 Mha. Assuming normal moisture conditions return to western Canada this spring and summer, yields are expected to rise by 31%, but remain slightly below normal due to the poor subsoil moisture reserves in the drought-affected regions. Production is forecast at 20.1 Mt, a 68% increase. Domestic use is projected to decline slightly, due to lower feed use, assuming a return to normal crop quality and an increased barley crop. Exports are expected to rebound by 85%, to 12.0 Mt, but remain well below the 5-year average because of low carry-in stocks. Carry-out stocks are expected to rise to 4.7 Mt.

For **durum wheat**, area seeded for **2002-2003** rose by 15%, to 2.5 Mha, due to strong durum price premiums in 2001-2002, and declining stocks. The impact of the drought was less on durum than for spring wheat, as production is concentrated in southern Saskatchewan, where more adequate rainfall was received. Yields rose by 11% compared to the drought-reduced level of 2001-2002, to 1.70 t/ha (25 bu/ac.), and production of durum wheat is estimated at 3.7 Mt, 24% higher than in 2001-2002. As with non-durum wheat, quality is poor due to excess moisture at harvest. Carry-in stocks are down by 43%, at 1.6 Mt, however, more than offsetting the increased production. Supplies decreased by 9%, to 5.3 Mt. Exports are projected to decline by 12%, to 3.2 Mt, due to the decreased supplies, particularly of the top milling grades. Canadian carry-out stocks are expected to fall by 14%, to 1.4 Mt.

For **2003-2004**, Canadian durum area is expected to decline slightly, due to the reduced premium over spring wheat in 2002-2003. Assuming a return to normal growing conditions, production is forecast to rise by 35%, to 5.0 Mt. Exports, however, are forecast to be unchanged from 2002-2003, at 3.2 Mt, due to strong competition from other exporters and a good crop in North Africa, the major export market. Carry-out stocks are projected to increase by 57%, to 2.2 Mt, which will pressure durum prices in 2003-2004.

PRICE OUTLOOK

World

For **2002-2003**, wheat prices are being supported by the projected 32% decrease in major exporter carry-out stocks. World wheat prices are highly correlated with the level of stocks in the major exporting countries (the US, EU, Canada, Australia, and Argentina). Carry-out stocks in the five major exporting countries are forecast at 32.3 Mt, versus the 5-year average of 47 Mt, and the lowest since 1995-1996. AAFC forecasts that world prices, as measured by the benchmark US Hard

Winter Ordinary (HWO) price, FOB Gulf ports, will increase from US\$127/t in 2001-2002 (June-May), to US\$160/t for 2002-2003. This is, however, substantially lower than in 1995-1996, when the HWO Gulf price averaged US\$211/t, because of sharply higher exports from non-traditional exporters such as Ukraine, Russia and India.

For **2003-2004**, major exporter stocks are forecast to increase by 31%, to 42 Mt, but remain below the 5-year average. Exports from the non-traditional exporters are expected to decline, but remain at an historically high level, continuing to pressure world wheat prices. The HWO Gulf price is therefore expected to decline by 19%, to US\$130/t, for 2003-2004.

United States

The major wheat futures markets are located in the US, and the prices determined in US markets generally provide direction to world prices. The prices obtained by the CWB are therefore, in large part, determined by US crop conditions, domestic consumption and exports. For **2002-2003**, US wheat prices have risen sharply due to the tight world and US stocks situation, and the average nearby futures price for soft red winter (SRW) at the benchmark Chicago Board of Trade (CBOT) is forecast by AAFC at US\$3.40/bu, 23% higher than in 2001-2002. For **2003-2004**, US wheat prices are expected to be substantially lower than in 2002-2003, with the average CBOT price forecast to fall by 12%, to US\$3.00/bu

(June-May), since carry-out stocks, and the S/U ratio, are expected to be higher than in 2002-2003. Lower prices are expected for all other classes of wheat as well.

For **HRW** wheat, US **2002-2003** production is estimated by USDA at only 609 Mbu, down by 21% from 2001-2002, and the S/U ratio is forecast to decline from 45% in 2000-2001 to 25% in 2002-2003. This is expected to result in the average nearby Kansas City Board of Trade (KCBT) HRW price increasing by 29%, to US\$3.75/bu (June-May). For **2003-2004**, due to increased production and higher stocks of HRW wheat, the nearby KCBT wheat price is forecast by AAFC to decline by about 17%, to US\$3.10/bu. The premium over SRW wheat on the CBOT is expected to decline due to a greater increase in production expected for HRW relative to SRW.

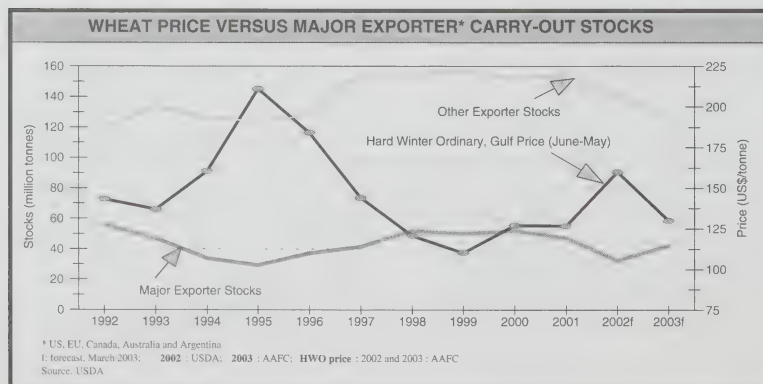
For **HRS** wheat, US production in **2002-2003** is estimated by the USDA to have decreased by 25%, to 357 Mbu, due to lower yields resulting from dryness in large parts of the growing region. Despite lower supplies, exports are forecast to rise by 23%. Carry-out stocks are forecast to decrease by 56%, to 100 Mbu, with the S/U ratio falling from 44% in 2001-2002, to 20%. As a result, the cash price for Dark Northern Spring wheat with 14% protein (DNS 14) at Minneapolis is forecast to rise by 25%, to US\$4.50/bu in 2002-2003. For **2003-2004**, spring wheat area is expected to decline by 7%, but assuming normal

yields, spring wheat production will rise by 24%, to about 445 Mbu. Exports will be constrained by increased competition from Canada and Australia, and carry-out stocks are forecast by AAFC to rise by 30%, to about 130 Mbu. As a result, the Minneapolis DNS 14 cash price is forecast to decline by 17%, to US\$3.75/bu.

For **durum** wheat in **2002-2003**, US production has decreased slightly from 2001-2002, to 79 Mbu, with a lower seeded area partly offset by improved yields. Exports are forecast to decline by 36%, to 32 Mbu. Carry-out stocks are forecast to decline by 24%, to 25 Mbu, with the S/U at 21%, versus 25% for the previous year. Although world durum prices are being pressured by the larger EU crop, and weakening world import demand, prices have been supported by smaller crops in western Canada, Australia and the US. The No.3 Hard Amber Durum (HAD) export price FOB Gulf is expected to increase from US\$182/t in 2001-2002, to US\$205/t in 2002-2003 (June-May). For **2003-2004**, US durum production is forecast by AAFC to rise to about 93 Mbu, with stocks increasing by 40%, to 35 Mbu. This, combined with larger crops in Canada and Australia, is expected to pressure US and world durum prices, with the No.3 HAD Gulf price forecast at about US\$170/t, 17% lower than in 2002-2003.

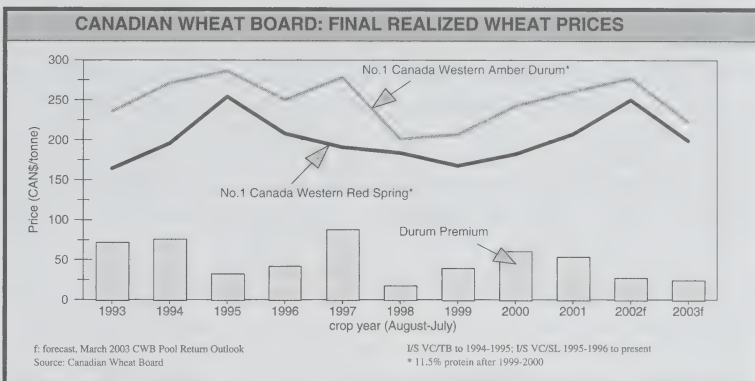
Canada

For non-durum wheat, the March CWB **2002-2003** Pool Return Outlook (PRO) for No.1 CWRS with 13.5% protein is \$256/t in-store Vancouver or St. Lawrence (I/S VC/SL), up by 18% from 2001-2002. The increase in prices has been even stronger for lower protein CWRS wheat, as the protein premiums have declined due to the high protein content in both the Canadian and US spring wheat crops. The PRO for No.1 CWRS with 11.5% protein is up by 21%, at \$250/t. The CWB generally receives prices for high protein No.1 and No.2 CWRS wheat that are competitive with US prices for DNS wheat, while lower protein CWRS wheat and CPS wheat are competitive with US HRW wheat. Based



on the March PRO, the western Canadian average on-farm price for No.1 CWRS 13.5% protein will be about \$206/t, compared to \$169/t for 2001-2002. For **2003-2004**, the CWB PRO has declined sharply, with that for No.1 CWRS 13.5% down by 20% at \$216/t. Protein premiums are expected to increase, assuming a return to normal protein content in the US and Canadian crops, and the PRO for No.1 CWRS 11.5% is down by 20%, at \$199/t. Western on-farm returns for No.1 CWRS 13.5% are forecast at \$161/t. The percentage decline in Canadian returns is greater than the decline in US prices for two reasons. One is the strengthening Canadian dollar, which lowers prices in Canadian dollar terms. The other is the larger pool size expected for 2003-2004, which implies that a larger proportion of the pool will be sold into lower return markets.

For durum wheat, the **2002-2003** March PRO for No.1 Canada Western Amber Durum (CWAD) with 11.5% protein is



\$277/t I/S VC/SL, up by 5% from 2001-2002. A premium of \$27/t over No.1 CWRS 11.5% is forecast, versus \$53/t in 2001-2002. A western Canadian average on-farm price of about \$231/t for No.1 CWAD 11.5% is expected, compared to \$218/t in 2001-2002. For **2003-2004**, the PRO for No.1 CWAD 11.5% is \$223/t, a decline of 19% from the current year. The on-farm price is forecast to fall to \$178/t.

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UNITED STATES DEPARTMENT OF COMMERCE (US DOC) IMPOSES PRELIMINARY COUNTERVAIL DUTY ON CANADIAN WHEAT AND DURUM IMPORTS; PRELIMINARY DETERMINATION ON DUMPING EXPECTED MAY 1, 2003

The DOC preliminary determination of subsidy has resulted in provisional countervailing duties of 3.94% being imposed on US imports of both Canadian hard red spring wheat and durum wheat. The duties are based on two Canadian programs that the US DOC has preliminarily found to be countervailable: the provision of government owned and leased railcars, and the government guarantee of Canadian Wheat Board (CWB) borrowings. A decision on the government guarantee of CWB initial payments is still pending.

The DOC is also expected to make its preliminary determination of dumping by May 1, 2003. If that determination is affirmative, provisional anti-dumping duties could be imposed in addition to the provisional countervailing duties.

The final DOC subsidy and dumping determinations are expected to be made in mid-July 2003. If the DOC's final determinations are affirmative, the US International Trade Commission will rule on whether injury has occurred 45 days after the DOC's final determinations. If no injury or threat of injury is found, definitive countervailing and dumping duties would not be levied and all bonds for provisional duties will be cancelled.

The CWB has stated that it will continue to sell into the markets that provide the best return for Prairie farmers, and will consider all options to meet that goal when selling to customers in the US and around the world.

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A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL 48%	CANOLA MEAL	MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	March 24, 2003			FEED PEAS	DEHY ALFALFA	FEATHER MEAL
															GLUTEN MEAL	GLUTEN FEED				
Vancouver	March 24, 2003	FOB		228.16	N/A	185.00	178.00		328.00	214.00	165.00	330.00	900.00	560.00						400.00
BC (4) (7)	March 17, 2003	FOB		228.16	N/A	185.00	181.00		335.00	235.75	165.00	325.00	900.00	560.00						400.00
Calgary	March 24, 2003	FOB		205.00	N/A	185.00	170.00		324.00	N/A		290.00	950.00	595.00						400.00
AB (4)	March 17, 2003	FOB		205.00	N/A	185.00	170.00		330.00	N/A		285.00	950.00	595.00						400.00
Saskatoon	March 24, 2003	FOB		181.50	225.00	150.00	174.00		314.63	235.00		290.00	N/A	595.00			189.33			485.00
SK (4)	March 17, 2003	FOB		184.00	235.00	160.00	174.00		321.33	240.00		285.00	N/A	595.00			190.00			465.00
Melfort	March 24, 2003	FOB																		
SK	March 17, 2003	FOB																		
Winnipeg	March 24, 2003	FOB		177.00	215.00	169.50	156.00		301.25	N/A		305.00	925.00	480.00						430.00
MB (4) (9)	March 17, 2003	FOB		177.00	215.00	169.50	158.00		311.50	235.00		305.00	925.00	480.00						430.00
Thunder Bay	March 24, 2003	In-Store		207.60	N/A	166.00														
ON (8)	March 17, 2003			203.00	N/A	166.00														
Lake Ports	March 24, 2003	On Board					100.89													
USA	March 17, 2003	Vessel					103.53													
Bay Ports	March 24, 2003	In-Store		234.60	320.00	N/A														
ON	March 17, 2003			231.00	320.00	N/A														
Chatham	March 24, 2003	Track					157.57													
ON	March 17, 2003						157.57													
Toronto	March 24, 2003	N/A																		
ON (5)	March 17, 2003	N/A																		
Hamilton	March 24, 2003	N/A							268.10	N/A		309.00	N/A	465.00						365.00
ON	March 17, 2003								268.10	N/A		309.00	N/A	465.00						365.00
Eastern	March 24, 2003	FOB					161.83													
ON	March 17, 2003	FOB					163.83													
London	March 24, 2003	FOB																		
ON	March 17, 2003																			
Port Colborne	March 24, 2003	FOB																		
ON	March 17, 2003	FOB																		
Cardinal	March 24, 2003	FOB																		
ON	March 17, 2003	FOB																		
Montreal	March 24, 2003			N/A	N/A	N/A	N/A		323.29	242.64	155.67	309.00	850.00	430.00						370.00
QC (5)	March 17, 2003			N/A	N/A	N/A	N/A		329.31	246.43	154.00	309.00	850.00	430.00						370.00
Trois-Rivières	March 24, 2003	In-Store		236.60		N/A	167.51													
QC	March 17, 2003			233.00		N/A	165.35													
St. Jean QC (2)	March 24, 2003	FOB		208.53	190.75	170.33	162.01		314.00											
St. Hyacinthe QC	March 17, 2003			207.00	193.75	171.33	163.06		307.35											
Quebec	March 24, 2003	In-Store		208.00	N/A	208.00	170.00		323.41											
QC	March 17, 2003			212.37	N/A	202.67	168.34		324.06											
Truro	March 24, 2003	Track		235.63	230.00	226.92	198.25		351.87	289.25		341.00		445.00						370.00
NS	March 17, 2003			232.28	230.00	230.02	200.97		353.81	297.74		341.00		455.00						370.00
Truro	March 24, 2003	Water			N/A	N/A	194.90													
NS	March 17, 2003	& Truck			N/A	N/A	196.45													
Halifax	March 24, 2003	In-Store			N/A	N/A	185.90													
NS (6)	March 17, 2003				N/A	N/A	187.45													

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodities Exchange market close
 Contact: Doris Pelletier, A/Statistical Clerk, Telephone: (204) 983-0581 Fax: (204) 983-5524; Email: pelletierdm@agr.gc.ca

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No.1 Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified.
 Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%, Gluten Feed 21% Protein, Fish Meal: white fish and/or herring meal.
 Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley Cash Price WCE (9) Oats 3CW

US\$1.00=CAN\$1.4907 closing date March 21, 2003
 N/A = not available

B. CASH PRICES AND REPLACEMENT VALUES

March 24, 2003

PRAIRIE GRAINS

Selected Points	Price Basis		This week 24-Mar-03	Last week 17-Mar-03	Month ago 24-Feb-03	Year ago 25-Feb-02
From: Thunder Bay (2)	In-Store	Wheat	182.60	179.00	189.20	167.60
CBOT		Oat	185.75	215.75	209.75	301.43
Lethbridge		Barley	168.00	168.00	171.50	155.30
To: Bayport, ON (1)	In-store	Wheat	206.21	202.61	212.81	196.72
		Oat	N/A	N/A	N/A	N/A
		Barley	195.39	195.39	198.89	189.34
Montreal, QC (1)	In-store	Wheat	210.63	207.03	217.23	201.79
		Oat	N/A	N/A	N/A	N/A
		Barley	200.31	200.31	203.81	195.64
Moncton, NB	Truck via Halifax	Wheat	232.85	229.25	239.45	224.16
		Oat	N/A	N/A	N/A	N/A
		Barley	224.50	224.50	228.00	221.11
Truro, NS	Truck via Halifax	Wheat	226.82	223.22	233.42	221.66
		Oat	N/A	N/A	N/A	N/A
		Barley	222.00	222.00	225.50	216.23
Halifax, NS (1)	In-store	Wheat	217.88	214.28	224.48	208.99
		Oat	N/A	N/A	N/A	N/A
		Barley	208.30	208.30	211.80	202.56
Stephenville, NL	Track / Truck via Sydney	Wheat	281.23	277.63	287.83	262.53
		Oat	N/A	N/A	N/A	407.63
		Barley	N/A	N/A	N/A	262.44
Melfort, SK		Wheat	N/A	N/A	N/A	158.60
		Oat	N/A	N/A	N/A	280.57
	Track	Barley	N/A	N/A	N/A	141.40
Bayport, ON		Wheat	N/A	N/A	N/A	207.75
		Oat	N/A	N/A	N/A	337.46
	Track	Barley	N/A	N/A	N/A	191.10
Montreal, QC		Wheat	N/A	N/A	N/A	208.51
		Oat	N/A	N/A	N/A	341.18
	Track	Barley	N/A	N/A	N/A	191.92
Moncton, NB		Wheat	N/A	N/A	N/A	236.79
		Oat	N/A	N/A	N/A	365.46
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	234.98
		Oat	N/A	N/A	N/A	366.47
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	282.04
		Oat	N/A	N/A	N/A	415.75
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 24-Mar-03	Last week 17-Mar-03	Month ago 24-Feb-03	Year ago 25-Feb-02
Corn						
From: US Lake Port	On Board Vessel		148.18	148.18	147.97	127.50
To: Montreal, QC (1)	In-store		167.22	167.22	167.01	148.62
From: Chicago (Mi)	Track		140.55	140.55	146.51	133.16
To: Montreal, QC	Track		169.41	169.41	175.37	162.19
From: Chatham, ON	Track		157.77	157.77	158.65	134.15
To: Montreal, QC	Track		181.57	181.57	182.45	157.53

Soymeal 48% Protein

From: Hamilton, ON			260.75	260.75	261.42	289.46
To: Montreal, QC	Track		285.08	285.08	285.75	313.88
Moncton, NB	Track		303.83	303.83	304.50	337.09
Truro, NS	Track		307.05	307.05	307.72	335.92
Stephenville, NL	Track / Truck via Sydney		355.68	355.68	356.35	384.72

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Doris Pelletier, A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: pelletierdm@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

Bi-weekly Bulletin

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CANADA: AREA SEEDED FOR 2003-2004

Expected net returns, derived from projected prices, yields, and variable costs of production, should exert a major influence on seeding decisions. However, current prices, soil moisture conditions, expected seeding time, expected delivery opportunities, cash flow, crop rotation requirements, potential disease and pest problems, and on-farm stocks are also very important factors. In western Canada, areas seeded to spring wheat, barley, canola, and oats are expected to increase while the areas in pulse and special crops and summerfallow decrease. Durum seeded areas are expected to decline slightly from 2002-2003. In eastern Canada, higher area seeded to winter wheat is expected to be partly offset by lower area seeded to corn and soybeans. This issue of the *Bi-weekly Bulletin* examines the net returns and area seeded for grains, oilseeds, pulse and special crops in Canada.

Expected returns are an important factor affecting cropping decisions. Returns, net of variable or operating costs, affect short-term cropping decisions, while returns, net of total costs (fixed and variable), influence long-term decisions, such as rotation patterns and entry into, or exit from the industry. Variable costs change with the type of crop grown, while fixed costs vary little with the type of crop. Fixed costs such as land rental, property taxes, hired labour and machinery depreciation, as well as the value of a farmer's own labour, are not included in this analysis.

The costs and revenue forecasts in this bulletin are intended to illustrate how expected net returns can be used to decide which crops may be the most profitable. Producers must consider their own costs, yields and expected commodity prices, as large variations do exist between producers.

As each province's agriculture department uses a different methodology, the crop budgets are not

comparable across provinces. Saskatchewan Agriculture, Food and Rural Revitalization provides crop budgets for crops seeded to fallow and stubble land in the brown, dark brown and black soil zones. Alberta Agriculture, Food and Rural Development (AAFRD) provides budgets for crops seeded to fallow and stubble in the brown, and dark brown soil zones. For the black and gray soil zones, AAFRD provides budgets for only the crops seeded to stubble. Manitoba Agriculture provides average crop budgets which do not differentiate between fallow and stubble as most Manitoba crops are grown on stubble. The Ontario Ministry of Agriculture and Food provides average crop budgets on various tillage systems.

Productivity in western Canada is related to soil type. For example, the brown soil in the semi-arid region of the Prairies is subject to wide variations in crop yields and is more subject to drought than the dark brown soil zone. The black soil zone is located in a higher

moisture region and has better moisture retention characteristics than the brown soil zone, resulting in higher average yields. This zone is rarely subject to drought. The gray soil zone, extending into the northern regions of the Prairies, is characterized by higher moisture levels, cooler temperatures, and a shorter growing season. Climatic conditions also influence the susceptibility of crops to disease and pest infestations, requiring different combinations and levels of herbicides and pesticides.

PRICE FORECASTS

Average farm prices by province have been forecast by Agriculture and Agri-Food Canada (AAFC). Price forecasts for wheat (except Ontario), durum, and malting barley are based on the Canadian Wheat Board (CWB) March 2003-2004 Pool Return Outlook (PRO) and AAFC's assumption that the port-to-farm basis will remain similar to 2002-2003. Price forecasts can vary considerably as a result of



Canada

unpredictable weather in Canada or major importing or exporting countries and other changes in market factors.

YIELD FORECASTS

Average provincial yields have been forecast by AAFC, using trend analysis. Adjustments for soil zone are based on historical data from Statistics Canada. Adjustments to a 'stubble' basis were based on provincial data. Actual yields can vary greatly due to factors such as weather, disease, pests or input use.

For 2003-2004, AAFC average expected yields are assumed to be slightly below trend to account for the below average winter precipitation in parts of western Canada, and low levels of sub-soil moisture that persisted during fall. As a result, yields for the 2003 growing season will be highly dependant upon timely rains as sub-soil conditions in drought risk areas are well below normal levels.

Drought areas have contracted compared to a year ago. The areas of most concern are northeast Alberta, northwest Saskatchewan and south-central Manitoba. In other regions, conditions have not supported a full drought recovery, and as a result livestock feed, dugout water supplies and grasshopper problems could again be experienced in 2003 if conditions are very hot and dry. Southern Ontario and Quebec have experienced below average precipitation since August 2002 and are also areas of concern. However, these areas are expected to improve with a spring forecast calling for below normal temperatures and above normal precipitation.

EXPENSES

Fertilizer Costs

Fertilizer costs are a significant factor in seeding decisions. Natural gas is the primary raw material required for the production of ammonia, which is the foundation for virtually all forms of nitrogen fertilizer. The average North American plant requires about 33.5 million British thermal units (MBtu) to produce 1 tonne of ammonia. Natural gas costs are currently about US\$7.00/MBtu compared with about US\$3.30/MBtu in 2002. With natural gas priced at about US\$7.00/MBtu, 1 tonne of nitrogen fertilizer will cost about US\$259 to produce {33.5 MBtu x \$7.00 + \$25 (fixed cost)} compared to about US\$136 in 2002.

Fertilizer prices in 2003 are about 40% higher than last fall and roughly 35% higher than the same time last year. Prices have increased due to tight North American natural gas supplies. Prices charged for nitrogen fertilizer have not increased enough to offset the higher costs of production and consequently, about 50% of North American production capacity is currently shutdown. Because of tight natural gas supplies and limited production, most analysts expect nitrogen fertilizer prices to remain at current levels in the short-term.

Farm Fuel

Reduced oil production from Venezuela due to a strike, fear of war in Iraq, and strong global demand drove prices to above US\$37/barrel in early 2003, compared with below US\$30/barrel in 2002. While oil prices have eased in the last few weeks with the prospect that the war in Iraq may be short, farm fuel prices are expected to continue to be higher in 2003 compared to 2002. The United States (US) government's mandate to stockpile oil reserves and the uncertainties of supply associated with the war in Iraq are expected to buoy oil prices in 2003 despite a slowing US economy.

Herbicides and Pesticides

Herbicide use in 2003 will vary greatly depending on the crop seeded and by the growing conditions. For the majority of crops, use is expected to rise modestly. Prices are expected to be similar to last year.

In areas of western Canada, pesticide use may be higher than normal to combat expected higher levels of grasshoppers, especially if conditions remain dry. Expected increases in grasshopper populations will increase the economic thresholds at which it is financially beneficial to spray crops. While economic thresholds vary from crop to crop and with various crop stages, for cereal crops it will generally be financially beneficial to spray when eight or more grasshoppers per square metre (/m²) are present. For crops such as lentils, as few as 2/m² during emergence or the critical podding stage is enough to require control.

Seed

The cost of seed has increased in 2003 for almost all crops. Seed costs when compared to 2002 are expected to vary considerably. This variability can range as much as 60% higher for canola seed, to about 18% lower for large kabuli chick peas.

Crop Insurance

Crop insurance costs in 2003 are expected to be higher, however the

CANADA: AREA SEEDED

	2002 thousand ha	2003f	Change %
Winter Wheat	437	648	48.3%
Durum	2,489	2,440	-2.0%
Spring Wheat	7,752	7,953	2.6%
All Wheat	10,678	11,041	3.4%
Barley	5,147	5,312	3.2%
Corn	1,299	1,254	-3.4%
Oats	2,399	2,432	1.4%
Rye	160	245	53.0%
Mixed Grain	284	272	-4.2%
Coarse Grains	9,289	9,515	2.4%
Canola	3,891	4,356	12.0%
Flaxseed	692	726	4.9%
Soybeans	1,030	998	-3.1%
Oilseeds	5,613	6,080	8.3%
Dry Peas	1,297	1,232	-5.3%
White Pea Beans	108	70	-35.1%
Coloured Beans	122	103	-15.8%
Lentils	601	541	-10.9%
Mustard Seed	289	276	-4.8%
Sunflower Seed	100	94	-5.4%
Canary Seed	275	275	0.0%
Chick Peas	221	143	-35.3%
Buckwheat	12	11	-11.0%
Special Crops	3,025	2,745	-9.2%
Total Crops	28,605	29,381	2.7%
Summerfallow	4,170	3,325	-20.3%

The sum of individual commodities may not equal totals due to rounding.

f: forecast, AAFC, March 2003

Source: Statistics Canada

increases will vary depending on the province and crop seeded. In Ontario, costs will increase for both of the winter wheats and remain unchanged for the other crops. In Manitoba, cost increases will be highest for canola, flaxseed and oats. In the Saskatchewan black soil zone, crop insurance costs are expected to be significantly higher for all the crops forecasted. Insurance costs in the Saskatchewan brown soil zone are also expected to increase significantly, except for desi chick peas and large kabuli chick peas. In the black and brown soil zones of Alberta, insurance costs are expected to increase marginally for all crops.

CROP BUDGETS: PRAIRIE PROVINCES

There are significant differences in the variable costs between provinces and soil zones. Variations in costs for seed (including treatment), fertilizer and pesticides can account for 60% and more of the variation in total cost.

Comparing budgets across the provinces, custom work costs for western Canada have been included in the chemical costs, while for Ontario, custom work costs have been added to chemical and fertilizer costs. The 'other' cost category is used to assign a value to overhead expenses such as utilities. In Ontario, other costs include marketing fees and drying. The cost of management and/or owner/operator labour has not been included in the budgets.

In **Manitoba**, the highest projected net returns are for confectionary sunflower seed, flaxseed, oats, canola, and dry peas. Net returns are forecast to be the lowest for spring wheat and feed barley due to higher costs and lower expected prices in 2003-2004.

In the **Saskatchewan brown soil zone**, the highest net returns are for desi chick peas, yellow mustard seed, large green lentils, large kabuli chick peas, and durum wheat. Feed barley and spring wheat are expected to provide the

lowest net return per hectare. In the **black soil zone**, malting barley (Special Select 2 Row - SS2R) is expected to provide the highest potential net return, followed by flaxseed, dry peas, feed barley, oats, canola, and spring wheat.

In the **Alberta brown soil zone**, the potential net return for large kabuli chick peas, large green lentils, and canola are the highest. The lowest prospects for net returns are spring wheat, durum, and feed barley. In the **black soil zone**, Canadian Prairie Spring (CPS) wheat feed barley, dry peas, Argentine canola, and spring wheat will provide the highest net returns. Oats are expected to have more modest net returns.

In **Ontario**, corn is expected to have the highest net return due to strong prices. Net returns from soybeans, white pea beans, Soft White Winter (SWW) wheat, and Hard Red Winter (HRW) wheat are also expected to be high. Returns for feed barley are expected to be very low, however most of this crop is used on farm for feeding so that market price is less of a factor in planting decisions.

AREA SHIFTS

In western Canada, area seeded to wheat (excluding durum), coarse grains, and oilseeds is expected to increase. The area seeded to most pulse and special crops and durum wheat is expected to decline. In eastern Canada, the significant increase in area seeded to winter wheat is partly offset by lower area seeded to coarse grains, soybeans, special crops, and spring wheat.

In western Canada, **all wheat** area is forecast to increase. **Spring wheat** area is forecast to increase to 7.8 million hectares (Mha) in 2003 from 7.6 Mha, in response to higher prices received in 2002-2003 and low carry-out stocks. Despite lower prices and returns expected in 2003-2004, area seeded to spring wheat in Saskatchewan is expected to increase. Given overall lower prices expected for most crops in 2003-2004, farmers are expected to

seed crops which they are most familiar with, such as wheat. Area seeded to **durum** is expected to decrease by about 2% due to the reduced premium over spring wheat in 2002-2003. The CWB PRO indicates a price premium for No.1 Canada Western Amber Durum (CWAD) 11.5% protein, compared to No.1 Canada Western Red Spring (CWRS) 11.5% protein in Saskatchewan, of \$30 per tonne (t) in 2003-2004 versus \$39/t for 2002-2003 and \$58/t in 2001-2002.

Area seeded to **barley** in western Canada is forecast to increase substantially from 2002, to 5.0 Mha, due to high returns from malting barley, barley's role as a good cash crop, high feed barley prices in 2002-2003 (which have been driven by tight supplies and strong domestic demand), and historically strong feed barley prices expected for 2003-2004.

Area seeded to **oats** in western Canada is projected to increase marginally to 2.26 Mha due to high prices and strong demand over the past year. Good prices for milling quality oats will also encourage a larger seeded area.

Area seeded to **canola** in western Canada, is projected to increase by 12% to 4.33 Mha due to strong prices expected for 2003-2004 (relative to other crops), low carry-out stocks, and strong prices in 2002-2003. Canola prices are forecast to fall from the high levels reached in 2002-2003 due to a return to near-normal yields in Canada and Australia. However, due to low carry-out stocks in 2002-2003, canola prices are expected to remain strong compared to recent history. Good net returns, primarily as a result of sustained high prices are expected to contribute to a higher area for canola.

Flaxseed area is forecast to increase by about 5% to 0.73 Mha in 2003 due to strong prices in 2002-2003 and relatively good projected net returns for 2003-2004, although prices for flaxseed are expected to fall by about 10% in 2003-2004, due to increased supplies.

Pulse and Special Crops

In western Canada, area seeded to pulse and special crops in 2003 is expected to decrease by about 9% to 2.75 Mha due to, depending on the crop, lower expected net returns than for competing crops, higher production risks compared to other crops and/or shortages of seed. Area seeded to **mustard seed** is expected to decrease by about 5%, while for **canary seed** area seeded is forecast to remain unchanged. Lower **mustard seed** prices for all types are expected due to increased supplies. **Canary seed** prices are expected to decrease due to increased supplies as a result of a larger harvested area and higher yields. **Dry pea** area is expected to decrease about 5%. Supplies are expected to increase significantly due to higher yields and lower area abandonment. Higher production in Canada and Australia is expected to pressure prices lower. **Chick pea** area is forecast to decline about 35%, with a shift to the desi type due to the high risk of producing the kabuli type. Prices for 2003-2004 are expected to increase modestly due mostly to an expected increase in quality. The area seeded to **lentils** is expected to drop by about 10%. A return to near-normal yields will increase lentil supplies and pressure global prices lower.

Summerfallow area has been steadily declining since 1988, reaching a low of 4.69 Mha in 2000, because new technology, especially herbicide, has allowed for continuous cropping. Also, the increased availability of alternative crops, some of which are nitrogen-fixing, and the use of crop rotation, has decreased the producers' reliance on summerfallow. Summerfallow area in 2003 is expected to reach a record low of 3.45 Mha. However, excessively dry conditions in the spring, coupled with expectations for higher input cost, may increase summerfallow area. With expectations for commodity prices to decline, many farmers may choose to

take marginal land out of production, especially if there is little moisture. Currently about 15% of the area in western Canada is listed as a drought risk area, while roughly 25% is considered to be under recovery. Forecasts from Environment Canada predict normal precipitation levels for the spring and summer of 2003. However, it is probable that pockets of drought will again occur in 2003.

Ontario

Area seeded to **winter wheat** in the fall of 2002, estimated by Statistics Canada at 0.40 Mha, is up almost 67% from 2001. Strong wheat prices in the fall of 2002 and an early soybean harvest encouraged the area expansion. Expected net returns for corn, soybeans, and white pea beans are highest. Net returns for SSW and HRW wheat are also good. Winter wheat is a rotational crop and a source of cash during the summer for many Ontario farmers, with seeded area largely dependent on fall seeding conditions.

Area seeded to **corn** is expected to decrease by almost 7% to 0.73 Mha in 2003 due to higher fertilizer and drying cost compared to 2002, combined with expectations for lower prices in 2003-2004. Despite an expected 7% lower seeded area, production is forecast to fall by only about 4%, due to improved yields. Average prices in 2003-2004 are expected to decline by about 13% to \$135/t (No.2 CE cash in-store, Chatham) as a result of expected lower US prices and a stronger Canadian dollar.

Area seeded to **soybeans** in Ontario is expected to decrease by 7% due to the large area seeded to winter wheat. Production is expected to increase due to higher yields. Prices for soybeans are expected to fall to an average price of about \$290/t (in store Chatham), due to higher soybean production in the US and South America. Net returns for soybeans are forecast to be slightly

lower than for corn for the first time in six years.

The area seeded to **white pea beans** is expected to fall by 42% in 2003. Area seeded to white pea beans is relatively small, due to higher production risk. As a result of the lower area seeded in all of Canada, white pea production is forecast to fall and supplies are forecast to decrease. **Coloured bean** area is expected to decrease 21%. Lower supplies expected in 2003-2004 are expected to support higher prices for all classes of dry beans.

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Bi-weekly Bulletin (Insert)

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CANADA: AREA SEEDED 2003-2004

CROP BUDGETS

ALBERTA: Brown Soil Zone - stubble

	Spring Wheat	Durum Wheat	Feed Barley ^{4/}	Argentine Canola	Large Green Lentils	Large Kabuli Chick Peas
Variable Costs ^{1/}			\$/ha			
Seed (including treatment)	20.38	25.94	17.29	29.64	61.75	160.55
Fertilizer	51.01	51.01	51.01	38.04	14.33	14.33
Chemicals	58.05	58.05	29.64	54.34	72.87	72.87
Fuel	20.82	15.56	15.56	15.56	15.56	15.56
Repairs	15.44	15.44	15.44	15.44	17.91	17.91
Crop Insurance	8.05	9.56	8.57	11.12	17.04	18.53
Interest	4.94	4.94	4.94	6.18	6.18	6.18
Other	2.47	2.47	2.47	2.47	2.47	2.47
Total Variable Costs	181.15	182.95	144.91	172.78	208.10	308.38
Projected Returns ^{2/}	1 CWRs*	1 CWAD*	1 CW	1 CAN	1 CAN	2 CW
Projected Yield (t/ha)	1.40	1.40	1.83	1.10	0.85	1.05
Projected Price (\$/t)	166.00	183.00	125.00	325.00	465.00	505.00
Projected Revenue (\$/ha)	232.40	256.20	228.75	357.50	395.25	530.25
Net Return (\$/ha)	51.25	73.25	83.84	184.72	187.15	221.87

ALBERTA: Black Soil Zone - stubble

	Spring Wheat	CPS Red Wheat	Feed Barley ^{4/}	Oats	Dry Peas	Argentine Canola
Variable Costs ^{1/}			\$/ha			
Seed (including treatment)	30.88	37.05	24.70	24.70	74.10	44.46
Fertilizer	87.56	87.56	85.09	87.56	29.76	110.41
Chemicals	61.75	61.75	54.34	23.47	66.69	79.04
Fuel	23.34	23.34	23.34	23.34	23.34	23.34
Repairs	30.83	30.83	30.83	30.83	33.39	30.83
Crop Insurance	10.40	9.88	10.50	10.03	17.39	16.01
Interest	4.94	4.94	4.94	4.94	4.94	6.18
Other	2.47	2.47	2.47	2.47	2.47	2.47
Total Variable Costs	252.16	257.82	236.21	207.33	252.09	312.73
Projected Returns ^{2/}	2 CWRs*	1 CPS	1 CW	3 CW	2 CAN	1 CAN
Projected Yield (t/ha)	2.42	3.30	3.13	2.43	2.05	1.39
Projected Price (\$/t)	160.00	127.00	125.00	130.00	195.00	325.00
Projected Revenue (\$/ha)	387.20	419.10	391.25	315.90	399.75	451.75
Net Return (\$/ha)	135.04	161.28	155.04	108.57	147.66	139.02

ONTARIO

	SWW Wheat	HRW Wheat	Feed Barley	Grain Corn	Soybeans	White Pea Beans
Variable Costs ^{3/}			\$/ha			
Seed (including treatment)	85.46	119.55	75.71	124.74	97.94	133.38
Fertilizer	116.09	147.95	158.20	189.08	43.23	63.23
Chemicals	32.73	32.73	91.39	101.89	96.33	160.55
Fuel	16.55	16.55	35.94	23.59	16.55	34.58
Repairs	36.93	36.93	51.99	38.90	36.93	38.90
Crop Insurance	18.40	18.40	11.12	28.65	26.18	58.42
Interest	14.82	23.22	11.61	20.75	10.13	13.83
Other (includes drying)	4.80	4.00	n/a	46.28	6.89	9.69
Total Variable Costs	325.78	399.32	435.96	573.87	334.17	512.58
Projected Returns ^{2/}	1 CEWW	1 CERW* 11.5	Feed	2 CE	2 CW	1 CAN
Projected Yield (t/ha)	4.80	4.00	3.30	7.70	2.70	1.70
Projected Price (\$/t)	130.00	145.00	120.00	135.00	290.00	525.00
Projected Revenue (\$/ha)	624.00	580.00	396.00	1039.50	783.00	892.50
Net Return (\$/ha)	298.22	180.68	-39.96	465.63	448.84	379.92

Numbers may not add due to rounding.

^{1/} Alberta Agriculture, Food and Rural Development

^{2/} AAFC forecast, April 2003

^{3/} Ontario Ministry of Agriculture, Food and Rural Affairs (except drying costs)

^{4/} Off-Board

* CWRs: 13.5% protein / 1CWAD: 12.5% protein / 1 CERW 11.5% protein

Bi-weekly Bulletin (Insert)

April 11, 2003 Volume 16 Number 8

CANADA: AREA SEEDED 2003-2004

CROP BUDGETS

MANITOBA

	Spring Wheat	Feed Barley ^{4/}	Canola	Flaxseed	Oats	Confectionary Sunflower	Dry Peas
Variable Costs ^{1/}				\$/ha			
Seed (including treatment)	42.18	31.96	56.22	27.00	39.90	77.47	85.68
Fertilizer	72.78	72.78	90.65	63.98	67.70	89.17	45.73
Chemical	76.60	64.25	126.64	64.25	27.19	165.56	49.42
Fuel	28.42	28.42	28.42	28.42	28.42	29.65	32.12
Repairs	24.71	24.71	24.71	24.71	24.71	27.18	25.95
Crop Insurance	13.24	11.37	20.26	13.07	13.91	12.70	12.08
Interest	8.78	8.04	11.44	7.68	7.09	13.57	8.60
Other	18.53	18.53	18.53	18.53	18.53	19.77	19.77
Total Variable Costs	285.24	260.06	376.87	247.64	227.45	435.07	279.35
Projected Returns ^{2/}	2 CWS*	1 CW	1 CAN	1 CW	3 CW	1 CAN	2 CAN
Projected Yield (t/ha)	2.43	3.30	1.60	1.35	2.73	1.60	2.15
Projected Price (\$/t)	155.00	110.00	325.00	345.00	140.00	450.00	195.00
Projected Revenue (\$/ha)	376.65	363.00	520.00	465.75	382.20	720.00	419.25
Net Return (\$/ha)	91.41	102.94	143.13	218.11	154.75	284.93	139.90

SASKATCHEWAN: Brown Soil Zone - conventional seeded stubble

	Spring Wheat	Durum Wheat	Feed Barley ^{4/}	Large Green Lentils	Yellow Mustard	Large Kabuli Chick Peas	Desi Chick Peas
Variable Costs ^{3/}				\$/ha			
Seed (including treatment)	24.72	27.54	16.94	86.70	36.56	185.25	68.05
Fertilizer	46.19	46.19	46.19	20.50	53.35	20.50	20.50
Chemicals	46.14	46.91	41.62	93.29	50.98	130.27	74.05
Fuel	23.22	23.22	23.22	25.54	24.38	25.54	25.54
Repairs	17.78	17.78	17.78	29.79	17.78	26.53	26.53
Crop Insurance	6.40	7.19	8.57	23.49	13.54	33.89	25.89
Interest	4.47	4.57	4.20	7.53	5.29	11.16	6.45
Other	7.09	7.09	7.09	10.50	7.09	7.09	7.09
Total Variable Costs	176.01	180.48	165.61	297.34	208.96	440.23	254.09
Projected Returns ^{2/}	1 CWS*	1 CWAD*	1 CW	1 CAN	1 CAN	2 CW	2 CW
Projected Yield (t/ha)	1.60	1.60	1.97	0.95	0.75	1.10	1.35
Projected Price (\$/t)	158.00	183.00	115.00	460.00	505.00	505.00	340.00
Projected Revenue (\$/ha)	252.80	292.80	226.55	437.00	378.75	555.50	459.00
Net Return (\$/ha)	76.79	112.32	60.94	139.66	169.79	115.27	204.91

SASKATCHEWAN: Black Soil Zone - conventional seeded stubble

	Spring Wheat	2Row Malting Barley	Feed Barley ^{4/}	Oats	Dry Peas	Flaxseed	Canola
Variable Costs ^{3/}				\$/ha			
Seed (including treatment)	26.87	18.62	18.62	24.95	53.35	19.88	50.24
Fertilizer	63.73	63.73	63.73	63.73	20.50	63.73	78.05
Chemicals	61.95	52.64	52.64	33.76	64.44	63.21	61.63
Fuel	23.22	23.22	23.22	23.22	25.54	25.54	24.38
Repairs	23.47	23.47	23.47	23.47	33.35	28.16	23.47
Crop Insurance	8.82	8.18	8.18	9.51	9.51	11.16	10.65
Interest	5.68	5.21	5.21	4.92	5.66	5.78	6.74
Other	10.67	10.67	10.67	10.67	10.67	10.67	10.67
Total Variable Costs	224.40	205.73	205.73	194.22	223.02	228.13	265.82
Projected Returns ^{2/}	2 CWS*	SS2R	1 CW	3 CW	2 CAN	2 CW	1 CW
Projected Yield (t/ha)	2.00	2.80	2.80	2.32	1.90	1.16	1.13
Projected Price (\$/t)	152.00	151.00	115.00	130.00	190.00	350.00	330.00
Projected Revenue (\$/ha)	304.00	422.80	322.00	301.60	361.00	406.00	372.90
Net Return (\$/ha)	79.60	217.07	116.27	107.38	137.98	177.87	107.08

Numbers may not add due to rounding.

^{1/} Manitoba Agriculture

^{2/} AAFC forecast, April 2003

^{3/} Saskatchewan Agriculture, Food and Rural Revitalization

^{4/} Off-Board

* Wheat: CWS 13.5% protein / Durum: CWAD 12.5% protein

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

April 7, 2003

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL 48%	CANOLA MEAL	MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN FEED MEAL	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	April 7, 2003	FOB	228.16	N/A	170.00	187.00		339.00	211.00	165.00	320.00	900.00	560.00				400.00
BC	(4) (7) March 31, 2003		228.16	N/A	170.00	180.50		331.50	208.00	165.00	320.00	900.00	560.00				400.00
Calgary	April 7, 2003	FOB	185.00	N/A	170.00	176.00		327.50	N/A		290.00	950.00	595.00				400.00
AB	(4) March 31, 2003		185.00	N/A	170.00	170.00		324.00	N/A		290.00	950.00	595.00				400.00
Saskatoon	April 7, 2003	FOB	172.00	205.00	153.00	174.00		318.00	235.00		290.00	N/A	595.00		185.00		465.00
SK	(4) March 31, 2003		181.50	225.00	150.00	174.00		315.67	235.00		290.00	N/A	595.00		189.33		465.00
Melfort	April 7, 2003	FOB															
SK	March 31, 2003																
Winnipeg	April 7, 2003	FOB	169.50	215.00	158.50	160.00		306.00	235.00		305.00	925.00	480.00				430.00
MB	(4) (9) March 31, 2003		177.00	215.00	169.50	154.00		312.50	235.00		305.00	925.00	480.00				430.00
Thunder Bay	April 7, 2003	In-Store	176.70	N/A	163.59												
ON	(8) March 31, 2003		177.50	N/A	171.00	103.83											
Lake Ports	April 7, 2003	On Board															
USA	March 31, 2003	Vessel				103.53											
Bay Ports	April 7, 2003	In-Store	204.70	310.00	N/A												
ON	March 31, 2003		204.50	310.00	N/A	160.72											
Chatham	April 7, 2003	Track															
ON	March 31, 2003					160.72											
Toronto	April 7, 2003	N/A					FOB				309.00	N/A	465.00				370.00
ON	(5) March 31, 2003										309.00	N/A	465.00				370.00
Hamilton	April 7, 2003	N/A						268.10	N/A								
ON	March 31, 2003							268.10	N/A								
Eastern	April 7, 2003	FOB				163.00											
ON	March 31, 2003					160.15											
London	April 7, 2003	FOB															
ON	March 31, 2003									112.50							
Port Colborne	April 7, 2003	FOB								125.50							
ON	March 31, 2003																
Cardinal	April 7, 2003	FOB															
ON	March 31, 2003																
Montreal	April 7, 2003																
QC	(5) March 31, 2003																
Trois-Rivières	April 7, 2003	In-Store	204.70	N/A	N/A	N/A		318.41	233.60	133.33	309.00	850.00	430.00			268.00	370.00
QC	March 31, 2003		206.50	N/A	N/A	169.28	FOB	316.63	240.65	139.33	309.00	850.00	430.00			268.00	320.00
St. Jean QC	(2) April 7, 2003	FOB	185.23	195.00	168.67	161.49		319.05									
St. Hyacinthe QC	March 31, 2003		192.50	188.75	168.67	160.02		313.92									
Quebec	April 7, 2003	In-Store	208.00	N/A	208.50	170.00		326.83									
QC	March 31, 2003		202.33	N/A	203.17	170.70	FOB	326.28									
Truro	April 7, 2003	Track	232.08	230.00	225.27	201.03		351.33	290.42		341.00		445.00				370.00
NS	March 31, 2003		232.38	230.00	224.42	198.10	FOB	352.42	288.35		341.00		445.00				370.00
Truro	April 7, 2003	Water		N/A	N/A	198.35											
NS	March 31, 2003	& Truck		N/A	N/A	193.50											
Halifax	April 7, 2003	In-Store		N/A	N/A	189.35											
NS	(6) March 31, 2003			N/A	N/A	184.50											

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Contact: Doris Pelletier, A/Statistical Clerk, Telephone: (204) 983-0581 Fax: (204) 983-5524; Email: pelletterdm@agr.gc.ca

N/A = not available

US\$1.00=CAN\$1.14719 closing date April 4, 2003

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No.1 Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein, Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal From West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley Cash Price WCE (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

April 7, 2003

PRAIRIE GRAINS

Selected Points	Price Basis		This week 7-Apr-03	Last week 31-Mar-03	Month ago 10-Mar-03	Year ago 11-Mar-02
From: Thunder Bay (2)	In-Store	Wheat	175.00	182.60	179.00	172.50
CBOT		Oat	185.00	185.75	215.75	N/A
Lethbridge		Barley	167.00	168.00	168.00	158.00
To: Bayport, ON (1)	In-store	Wheat	198.61	206.21	202.61	197.61
		Oat	N/A	N/A	N/A	N/A
		Barley	194.39	195.39	195.39	187.45
Montreal, QC (1)	In-store	Wheat	203.03	210.63	207.03	202.46
		Oat	N/A	N/A	N/A	N/A
		Barley	199.31	200.31	200.31	192.96
Moncton, NB	Truck via Halifax	Wheat	225.25	232.85	229.25	224.96
		Oat	N/A	N/A	N/A	N/A
		Barley	223.50	224.50	224.50	219.02
Truro, NS	Truck via Halifax	Wheat	219.22	226.82	223.22	222.40
		Oat	N/A	N/A	N/A	N/A
		Barley	221.00	222.00	222.00	214.14
Halifax, NS (1)	In-store	Wheat	210.28	217.88	214.28	209.73
		Oat	N/A	N/A	N/A	N/A
		Barley	207.30	208.30	208.30	200.47
Stephenville, NL	Track / Truck via Sydney	Wheat	273.63	281.23	277.63	267.43
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	265.14
Melfort, SK		Wheat	N/A	N/A	N/A	163.50
		Oat	N/A	N/A	N/A	253.02
	Track	Barley	N/A	N/A	N/A	151.40
Bayport, ON		Wheat	N/A	N/A	N/A	212.65
		Oat	N/A	N/A	N/A	309.91
	Track	Barley	N/A	N/A	N/A	201.10
Montreal, QC		Wheat	N/A	N/A	N/A	213.41
		Oat	N/A	N/A	N/A	313.63
	Track	Barley	N/A	N/A	N/A	201.92
Moncton, NB		Wheat	N/A	N/A	N/A	241.69
		Oat	N/A	N/A	N/A	337.91
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	239.88
		Oat	N/A	N/A	N/A	338.92
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	286.94
		Oat	N/A	N/A	N/A	388.20
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 7-Apr-03	Last week 31-Mar-03	Month ago 10-Mar-03	Year ago 11-Mar-02
Corn						
From: US Lake Port	On Board Vessel		150.66	150.66	156.14	127.50
To: Montreal, QC (1)	In-store		169.70	169.70	175.18	148.62
From: Chicago (Mi)	Track		143.13	143.13	151.95	133.16
To: Montreal, QC	Track		171.99	171.99	180.71	162.19
From: Chatham, ON	Track		161.02	161.02	161.31	134.15
To: Montreal, QC	Track		184.82	184.82	185.11	157.53

Soymeal 48% Protein

From: Hamilton, ON			261.07	261.07	260.77	289.46
To: Montreal, QC	Track		285.40	285.40	285.10	313.88
Moncton, NB	Track		304.15	304.15	303.85	337.09
Truro, NS	Track		307.37	307.37	307.07	335.92
Stephenville, NL	Track / Truck via Sydney		356.00	356.00	355.70	384.72

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Doris Pelletier, A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: pelletierdm@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

Bi-weekly Bulletin

April 25, 2003 Volume 16 Number 9

BUCKWHEAT: SITUATION AND OUTLOOK

Buckwheat has many uses and is rated as one of the best sources of high biological value protein in the plant kingdom. In spite of its name, buckwheat is technically a fruit or a nut rather than a cereal grain. Although Canada produces less than 1% of the world's buckwheat, it accounts for about 5% of world exports and is expected to become a more significant producer and exporter over the longer term with the development of new varieties and increased consumption in Canada and the United States (US). In recent years, the value of Canadian exports was about \$4 million per year. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for buckwheat.

WORLD

Production and Trade

World buckwheat production has been variable during the past 10 years, ranging from 2.35 million tonnes (Mt) in 1999-2000 to 3.15 Mt in 2000-2001. Production decreased during the two subsequent years. China produced about 50% of the world's buckwheat during the past five years, Russia about 25% and Ukraine about 15%.

Most of the world's buckwheat production is consumed in the country where it is produced. World buckwheat exports averaged about 170,000 tonnes per year (t/yr) during the past 5 years ending in 2001 and also totalled 170,000 t in 2001, the latest year for which world trade statistics are available. China normally accounts for about 60% of the exports, with Ukraine, the US, Russia, Canada, and Poland accounting for most of the balance. Netherlands is a re-exporter of buckwheat. Japan accounts for about 55% of the imports, with the balance going mostly to the European Union.

CANADA

Production

Buckwheat is a broadleaf plant which grows best in well drained light to medium textured soils. Seeding normally takes place in the early part of June, after the risk of frost is gone. It matures in 80-90 days and makes an excellent rotation with cereal grains. It requires less nitrogen than cereal crops and is very efficient at removing phosphorus from the soil for its own needs. It also increases the phosphorus available for subsequent crops through its decomposing residue. Buckwheat is more susceptible to stress during dry periods because the stomata stays open causing the plant to wilt faster. Weed control in buckwheat is a challenge since there are few herbicides available for grassy weed and none for broadleaf weed control. Since it is sown late, weeds are generally controlled with cultivation before seeding. However, it is best to use clean fields. Buckwheat benefits from pollination by honey or leaf-cutter bees, especially during the early stages of flowering, to improve

yields. Canadian buckwheat is normally harvested in September and early October.

Some of the buckwheat is grown organically, especially in eastern Canada. In addition to the buckwheat which is combined for its seed, there is some buckwheat grown in eastern Canada as a green manure crop.

The older buckwheat varieties, such as Manor and Mancan, have been supplemented with newer, larger-seed varieties, AC Manisoba, AC Springfield, Koban, and Koto, during the past decade. Koban and Koto are large-seed varieties with increased seed density, which has resulted in increased starch content. Koto has a black hull. Kade Research Ltd., an industry sponsored buckwheat research organization based in Morden, Manitoba, works in collaboration with Agriculture and Agri-Food Canada in developing new varieties.



Buckwheat production in Canada has declined significantly from nearly 39,000 t in the mid 1980s, to an average of about 15,000 t during the past 10 years. For 2002-2003, production decreased by 25%, compared to 2001-2002, to 12,000 t. Although buckwheat is produced from the Maritimes to Alberta, Manitoba normally accounts for 60-70% of Canadian production, with most of the rest produced in Ontario and Quebec.

Uses

Buckwheat is very nutritious and is used to make a wide range of products. The protein of buckwheat is comparable to animal-based proteins and is easily digestible. It has a well-balanced amino acid composition that is complementary to cereal grains. Buckwheat is high in iron, potassium, magnesium, sulfur and phosphorus, as well as vitamins B and P. Buckwheat is virtually fat free and is gluten free. An important by-product of buckwheat production is buckwheat honey, produced from nectar collected from buckwheat flowers by bees.

Buckwheat is milled into light or dark flour or processed into groats, the meat of the seed, and grits which are essentially cracked groats. Buckwheat flour is mixed with wheat flour to make noodles called Soba in Japan. Soba is eaten cold dipped in soya sauce or hot in soya sauce flavoured soup. Large seeded varieties, such as Koban and Koto, have a starch content about 7-8% higher than other varieties. In addition, the starch is softer, which makes the noodles chewy. This is a desirable trait. It also enables Japanese buckwheat millers to use up to 80% buckwheat in their noodle mixes compared to the usual blend of 50% buckwheat and 50% wheat flour. Buckwheat flour is also used for pancake mixtures or mixed with wheat flour for baking bread, rolls and cakes. As well, it is mixed with semolina to make pasta and is used in breakfast cereals, puffed snacks and stuffing. Since buckwheat does not contain gluten, it can be used to produce flour rich in high quality proteins, valuable for people with gluten sensitive enteropathy (celiac disease).

The groats and grits can be eaten plain, roasted or flavoured. Roasted groats and grits are called "kasha" in central and eastern Europe and are eaten as a porridge or used as a stuffing. The groats are also used to decorate bread and other baked goods. They are also used as a meat substitute or extender, for stuffing meats and vegetables, for mixing in soups and stews, and as a side dish.

Buckwheat is also used in the manufacture of beer and ice cream. Some light weight buckwheat seed is used for bird seed mixtures. The hull can be used to make pillows and heating pads.

Marketing

All of the buckwheat produced in Canada is sold on the open market to dealers. Buckwheat is mostly shipped by truck to domestic and US markets, but it is shipped in containers for overseas markets. Buckwheat is normally sold within a year after harvest, as it tends to lose its value when new crop starts to come into the market.

WORLD: BUCKWHEAT SUPPLY AND DISPOSITION

	1999 -2000	2000 -2001	2001 -2002	2002 -2003f	2003 -2004f
Harvested Area (000 ha)	2,393	3,093	2,820	2,803	2,800
Average Yields (t/ha)	0.98	1.02	0.91	0.85	0.89
.....thousand tonnes.....					
Carry-in Stocks (e)	100	100	600	500	200
Production:					
China	1,250	1,317	1,250	1,200	1,250
Russia	579	998	574	600	600
Ukraine	222	481	380	250	300
United States	63	65	65	65	65
Poland	60	73	59	60	60
Brazil	50	50	50	48	50
Canada*	13	14	16	12	12
Other	112	154	183	156	148
Total Production	2,349	3,152	2,577	2,391	2,485
Total Supply	2,449	3,252	3,177	2,891	2,685
Total Use (e)	2,349	2,652	2,677	2,691	2,585
Carry-out Stocks (e)	100	600	500	200	100

e: estimate, Agriculture and Agri-Food Canada, April 2003

f: forecast, Agriculture and Agri-Food Canada, April 2003

Source: FAO, except * which is Statistics Canada, April 2003

The Manitoba Buckwheat Growers Association was formed in 1995 to advance the production of buckwheat and promote the industry.

The Canadian Special Crops Association (www.specialcrops.mb.ca) establishes trade rules and serves as a forum for exporters, dealers and brokers involved in the industry of trading Canada's pulse and special crops, including buckwheat.

The North American Buckwheat Promotion Committee is an industry group working to increase the supply of buckwheat products available to consumers and is engaged in market development to increase the use of buckwheat in Canada and the United states.

The Canadian Grain Commission (CGC) administers quality control standards for buckwheat. There are three grades and buckwheat can also be graded sample if specifications for the grades are not met. For further information, or to access the Official Grain Grading Guide, please visit the CGC website: www.grainscanada.gc.ca

Domestic Use

Canadian domestic use, which includes food, feed, seed, dockage and waste has ranged from 7,000 to 8,000 t/yr during the past three years and is estimated at 7,000 t for 2002-2003. There are several small processors of buckwheat in Canada, concentrating on milling buckwheat for flour, groats and grits. Some of the processors mill buckwheat for the organic food market. Some buckwheat is used in bird seed mixtures.

Canada: 2003-2004

Production is forecast to remain stable, as a 10% decrease in seeded area is offset by higher yields, assuming normal precipitation during the growing period. Currently, soil moisture is lower than normal in the main buckwheat growing areas of Manitoba. Therefore, timely rains will be needed. Total supply is forecast to decrease by 7% because of lower carry-in stocks. Exports and domestic use are expected to remain stable, and the carry-out stocks are expected to be negligible. The average price, over all grades and markets, is forecast to increase slightly due to the lower supply.

Canada: Longer Term

Over the long-term, there are three main challenges which affect buckwheat production. First, there is a low rate of seed development. In buckwheat, only about 12% of the flowers develop into seed. Research is underway to develop self-pollinating varieties, which are expected to have significantly higher yields. The first of these varieties will be submitted for registration in 2004 and could be commercially available in 2005. This variety yields as much as 70% more than current cross-pollinated varieties. Development of higher yielding varieties will make buckwheat more economically viable and is expected to increase seeded area and production. Second, there is a lack of frost tolerance. Research is also ongoing on frost-resistant varieties, but this is proving to be more difficult to achieve.

Third, no herbicide for broadleaf weed control has been developed. The Manitoba Buckwheat Growers Association is working to obtain "minor use registration" for products to control broadleaf weeds, but it is uncertain when these products will be available for use. Therefore, farmers must continue to rely on cultural practices for the foreseeable future. Plant breeders are developing a new variety with a more solid root system and large leaves. This new variety does not lodge and the large leaves help the

WORLD: BUCKWHEAT EXPORTS

calendar year	1997	1998	1999	2000	2001
	.....thousand tonnes.....				
China	107	106	106	106	104
United States	7	9	10	12	17
Netherlands	5	5	5	8	10
Russia	1	2	1	7	10
Ukraine	23	49	1	1	9
Canada*	14	6	7	9	7
Poland	1	3	5	6	7
Other	11	9	13	9	6
Total	169	189	148	158	170

WORLD: BUCKWHEAT IMPORTS

calendar year	1997	1998	1999	2000	2001
	.....thousand tonnes.....				
Japan	105	99	103	97	93
France	8	13	11	9	14
Netherlands	12	15	17	14	13
United States	3	2	2	5	6
South Korea	1	1	2	3	4
Kazakhstan	0	2	0	5	4
Germany	3	2	3	4	3
Belarus	16	12	3	3	2
Russia	10	19	1	13	1
Other	21	23	16	13	16
Total	179	188	158	166	156

The difference between imports and exports is attributed to the timing of delivery.

Source: FAO, except * which is Statistics Canada, April 2003

Exports

Canadian buckwheat exports have ranged from 7,000 to 9,000 t/yr during the past three years and are estimated at 7,000 t for 2002-2003. Japan and the US are the main markets for Canadian buckwheat. Canadian buckwheat imports are mainly from the US.

Prices

Average Canadian prices, over all grades and markets, have been relatively stable during the past three years at \$305-325 per tonne (/t). For 2002-2003, average prices are forecast at \$325-355/t. Most of the buckwheat is grown under contract which guarantees the price for part, or all, of the production before seeding.

OUTLOOK

World: 2003-2004

World buckwheat production is forecast to increase slightly to about 2.49 Mt, but the total supply is expected to decrease slightly to 2.69 Mt because of lower carry-in stocks.

plant to compete against weeds.

Another variety being developed contains ten times the normal chlorophyll and produces a testa which is bright green in colour. The testa is the outer layer of the dehulled buckwheat seed. It is green when first harvested, but gradually becomes reddish brown. The Japanese prefer buckwheat with a testa which stays green because food with a green colour is considered to be natural, healthy and good. The new variety is expected to be desirable for the Japanese market and could double or triple Canadian buckwheat exports to Japan. This variety is expected to be commercially available in three years.

Buckwheat has the potential to be used in pharmaceutical and nutraceutical products. It is high in lysine, an amino acid used in nutraceuticals. Buckwheat contains antioxidants: rutin, quercetin, hyperoside, catechin, epicatechin and proanthocyanidins. Research institutions in Canada and other countries are working on developing pharmaceutical and nutraceutical products from buckwheat.

The North American Buckwheat Promotion Committee is working "to develop and promote expanding use of buckwheat and its products by creating awareness of buckwheat's natural nutritional advantages." The committee

plans to target dietitians and food and nutrition professionals with information about the nutritional value of buckwheat. It also plans to promote the use of buckwheat among the general public by providing information on the use of buckwheat products and where to buy them. Increased use in Canada and the US would increase production and provide an additional opportunity for crop diversification as well as increasing the processing industry in Canada.

For periodic updates on the situation and outlook for buckwheat, visit the Market Analysis Division Website for "Canada: Pulse and Special Crops Outlook."

For more information, please contact
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CANADA: BUCKWHEAT SUPPLY AND DISPOSITION

<i>August-July crop year</i>	1999 -2000	2000 -2001	2001 -2002	2002 -2003f	2003 -2004f
Seeded Area (000 ha)	14	16	16	12	11
Harvested Area (000 ha)	13	15	14	12	11
Yield (t/ha)	1.00	0.93	1.14	1.00	1.09
..... thousand tonnes.....					
Carry-in Stocks	2	1	0	2	1
Production	13	14	16	12	12
Imports	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total Supply	16	16	17	15	14
Exports:					
<i>Japan</i>	4	3	3	3	3
<i>United States</i>	2	5	3	3	3
<i>Other</i>	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total Exports	8	9	7	7	7
Total Domestic Use	<u>7</u>	<u>7</u>	<u>8</u>	<u>7</u>	<u>7</u>
Total Use	15	16	15	14	14
Carry-out Stocks	1	0	2	1	0
Stocks-to-use ratio (%)	7	0	13	7	0
Harvested Area (000 ac.)	32	37	35	30	27
Yield (bu/ac.)	18.6	17.4	21.2	18.6	20.3
Production (000 bu)	597	643	735	551	551
Average producer price*					
\$/t	305	305	325	325	330
				-355	-360
\$/bu	6.65	6.65	7.05	7.05	7.15
				-7.75	-7.85

* over all grades and markets

f: forecast, Agriculture and Agri-Food Canada, April 2003

Source: Statistics Canada and Agriculture and Agri-Food Canada

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Electronic version available at
www.agr.gc.ca/mad-dam/

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Canadian Special Crops Association, Kade Research, Manitoba Agriculture and Food, Market and Industry Services Branch (AAFC)

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

April 21, 2003

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL 48%	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	April 21, 2003	FOB	228.16	N/A	170.00	181.50		342.75	211.50	155.00	320.00	900.00	540.00					400.00
BC	(4) (7) April 14, 2003	FOB	228.16	N/A	170.00	181.50		335.25	211.50	155.00	320.00	900.00	540.00					400.00
Calgary	April 21, 2003	FOB	185.00	N/A	170.00	178.00		341.00	N/A		290.00	950.00	595.00					400.00
AB	(4) April 14, 2003	FOB	185.00	N/A	170.00	178.00		326.50	N/A		290.00	950.00	595.00					400.00
Saskatoon	April 21, 2003	FOB	171.00	192.50	154.50	174.00		327.00	235.00		290.00	N/A	595.00			183.33		465.00
SK	(4) April 14, 2003	FOB	171.00	205.00	154.50	174.00		316.67	235.00		290.00	N/A	595.00			185.00		465.00
Melfort	April 21, 2003	FOB																
SK	April 14, 2003	FOB																
Winnipeg	April 21, 2003	FOB	179.00	215.00	160.00	157.00		319.50	235.00		300.00	925.00	480.00					430.00
MB	(4) (9) April 14, 2003	FOB	172.00	215.00	161.00	157.00		304.00	235.00		300.00	925.00	480.00					430.00
Thunder Bay	April 21, 2003	In-Store	166.00	N/A	161.60													
ON	(8) April 14, 2003		177.50	N/A	165.59													
Lake Ports	April 21, 2003	On Board				104.89												
USA	April 14, 2003	Vessel				103.53												
Bay Ports	April 21, 2003	In-Store	198.00	310.00	N/A													
ON	April 14, 2003		204.50	310.00	N/A													
Chatham	April 21, 2003	Track				159.15												
ON	April 14, 2003					159.15												
Toronto	April 21, 2003	N/A					FOB				298.00	N/A	465.00					370.00
ON	(5) April 14, 2003	N/A									298.00	N/A	465.00					370.00
Hamilton	April 21, 2003							268.10	N/A									
ON	April 14, 2003							268.10	N/A									
Eastern	April 21, 2003	FOB				157.81												
ON	(5) April 14, 2003					163.00												
London	April 21, 2003	FOB												400.00	132.00			
ON	April 14, 2003													390.00	137.00			
Port Colborne	April 21, 2003	FOB								108.00				400.00	132.00			
ON	April 14, 2003									106.50				390.00	137.00			
Cardinal	April 21, 2003	FOB												400.00	132.00			
ON	April 14, 2003													390.00	137.00			
Montreal	April 21, 2003							334.74	235.67	130.00	298.00	850.00	419.00	400.00	132.00			370.00
QC	(5) April 14, 2003						FOB	316.67	219.58	128.00	298.00	850.00	430.00	390.00	137.00			320.00
Trois-Rivières	April 21, 2003	In-Store	195.00		N/A	166.03												
QC	April 14, 2003		206.50		N/A	167.41												
St. Jean QC	(2) April 21, 2003	FOB	188.67	191.75	167.00	163.45		333.70										
St. Hyacinthe QC	April 14, 2003		192.50	193.75	168.67	161.05		322.05										
Quebec	April 21, 2003	In-Store	208.00	N/A	206.00	170.00		336.09										
QC	April 14, 2003		202.33	N/A	199.33	169.85	FOB	339.03										
Truro	April 21, 2003	Track	225.53	230.00	228.27	201.21		352.82	281.24		330.18		445.00					370.00
NS	April 14, 2003		232.08	230.00	225.27	201.03	FOB	345.83	292.99		330.18		445.00					370.00
Truro	April 21, 2003	Water	N/A	N/A	N/A	187.15												
NS	April 14, 2003	& Truck	N/A	N/A	N/A	199.00												
Halifax	April 21, 2003	In-Store	N/A	N/A	N/A	196.50												
NS	(6) April 14, 2003		N/A	N/A	N/A	190.00												

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Contact: Doris Pelletier, A/Statistical Clerk, Telephone: (204) 983-0581 Fax: (204) 983-5524; Email: pelletierdm@agr.gc.ca

N/A = not available

US\$1.00=CANS\$1.4544 closing date April 21, 2003

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No.1 Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified. Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35%. Gluten Feed 21% Protein, Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal. Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley Cash Price WCE (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

April 21, 2003

PRAIRIE GRAINS

Selected Points	Price Basis		This week 21-Apr-03	Last week 14-Apr-03	Month ago 24-Mar-03	Year ago 22-Apr-02
From: Thunder Bay (2)	In-Store	Wheat	141.00	149.60	182.60	167.50
CBOT		Oat	176.00	185.00	185.75	211.72
Lethbridge		Barley	166.00	167.00	168.00	150.70
To: Bayport, ON (1)	In-store	Wheat	164.61	198.61	206.21	190.60
		Oat	N/A	N/A	N/A	N/A
		Barley	193.39	194.39	195.39	177.85
Montreal, QC (1)	In-store	Wheat	169.03	177.63	210.63	195.35
		Oat	N/A	N/A	N/A	N/A
		Barley	198.31	199.31	200.31	182.97
Moncton, NB	Truck via Halifax	Wheat	191.25	199.85	232.85	217.82
		Oat	N/A	N/A	N/A	N/A
		Barley	222.50	223.50	224.50	209.33
Truro, NS	Truck via Halifax	Wheat	185.22	193.82	226.82	215.32
		Oat	N/A	N/A	N/A	N/A
		Barley	220.00	221.00	222.00	204.45
Halifax, NS (1)	In-store	Wheat	176.28	184.88	217.88	202.65
		Oat	N/A	N/A	N/A	N/A
		Barley	206.30	207.30	208.30	190.77
Stephenville, NL	Track / Truck via Sydney	Wheat	239.63	248.23	281.23	262.43
		Oat	N/A	N/A	N/A	317.92
		Barley	N/A	N/A	N/A	257.84
Melfort, SK		Wheat	N/A	N/A	N/A	165.50
		Oat	N/A	N/A	N/A	190.89
	Track	Barley	N/A	N/A	N/A	138.00
Bayport, ON		Wheat	N/A	N/A	N/A	214.65
		Oat	N/A	N/A	N/A	247.78
	Track	Barley	N/A	N/A	N/A	187.70
Montreal, QC		Wheat	N/A	N/A	N/A	215.41
		Oat	N/A	N/A	N/A	251.50
	Track	Barley	N/A	N/A	N/A	188.52
Moncton, NB		Wheat	N/A	N/A	N/A	243.69
		Oat	N/A	N/A	N/A	275.78
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	241.88
		Oat	N/A	N/A	N/A	276.79
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	288.94
		Oat	N/A	N/A	N/A	326.07
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 21-Apr-03	Last week 14-Apr-03	Month ago 24-Mar-03	Year ago 22-Apr-02
Corn						
From: US Lake Port	On Board Vessel		150.44	150.44	148.18	125.78
To: Montreal, QC (1)	In-store		169.48	169.48	167.22	144.68
From: Chicago (Mi)	Track		141.28	141.28	140.55	129.49
To: Montreal, QC	Track		170.14	170.14	169.41	158.52
From: Chatham, ON	Track		159.34	159.34	157.77	138.67
To: Montreal, QC	Track		183.14	183.14	181.57	162.05

Soymeal 48% Protein

From: Hamilton, ON			262.44	262.44	260.75	303.79
To: Montreal, QC	Track		286.77	286.77	285.08	328.21
Moncton, NB	Track		305.52	305.52	303.83	351.42
Truro, NS	Track		308.74	308.74	307.05	350.25
Stephenville, NL	Track / Truck via Sydney		357.37	357.37	355.68	399.05

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Doris Pelletier, A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: pelletierdm@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada

Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

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May 2, 2003 Volume 16 Number 10

CANARY SEED: SITUATION AND OUTLOOK

Canada accounts for about 75% of world production and also has a 75% share of world exports of canary seed. The value of Canadian canary seed exports in 2002-2003 is expected to exceed the \$97 million reached in 2001-2002. Canary seed prices have remained historically high in 2002-2003, but for 2003-2004 Canadian canary seed production is forecast to increase and the average price is forecast to fall significantly. In the longer term, Canario, which was developed in Canada, offers opportunities for food and industrial uses, and is expected to result in increased demand and production. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for canary seed.

WORLD

Production and Trade

During the past 10 years, world canary seed production ranged from a low of 167,000 tonnes (t) in 1997-1998 to a high of 300,000 t in 1994-1995. Annual production is extremely variable, but the variability is mainly in Canada which accounts for about 75% of world production. Hungary and Argentina are the only other significant canary seed producers, each accounting for about 10% of world production.

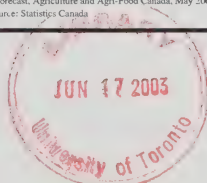
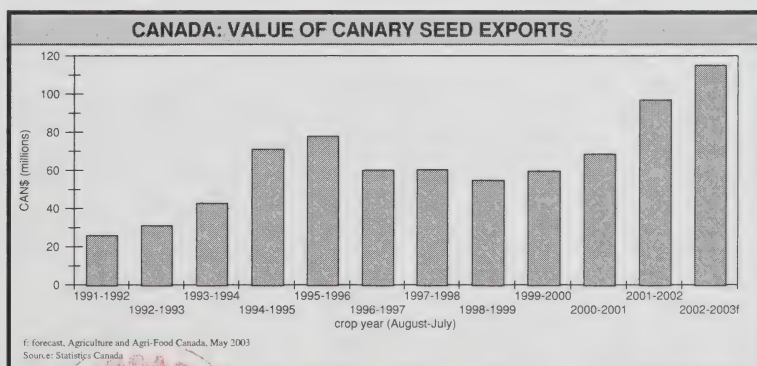
Most of the world's canary seed production is exported. Canary seed exports increased rapidly during the early 1990s, but subsequently exports have stabilized at about 220,000 t. Although normally there is little substitution of other birdseed for canary seed, substitution occurs in years when the canary seed price is high compared to alternatives, such as millet. The substitution occurs mainly in wild bird seed mixtures. In 2001, the latest year for which statistics are available, world exports were 225,000 t and imports

234,000 t. However, about 15% of the exports were re-exported to third countries. Canada dominates world exports with about 75% of the exports in 2001, if re-exports are excluded. Argentina and Hungary are the only other significant exporters of canary seed, excluding re-exporters such as the United States (US), Belgium and Netherlands. Imports are much more widely distributed than exports, with the top seven importing countries (Mexico, Brazil, Belgium, the US, Spain, Germany and Italy) accounting for about 75% of imports.

CANADA

Production

Canary seed is a cool season crop which prefers long warm days and cool nights. It is well suited to the Canadian prairies and matures in approximately 100 days. Canary seed is shallow rooted and is more sensitive to heat and less drought tolerant and salt tolerant than wheat. It does best on heavy clay or clay loam, moisture retentive soils. Canary seed should be planted as early in May as possible. Late seeding can lead to delayed maturation of the straw during harvest. Canary seed is shatter



resistant, which allows it to be straight combined. If the crop is swathed, it should not be cut until it has reached full maturity and should be combined soon after swathing. Caution should be taken to keep dehulling to a minimum, since dehulled seed is classified as dockage and must be cleaned out. Canary seed with the hull intact is shiny and golden yellow. Dehulled canary seed is dark brown in colour. Canary seed can be stored for long periods of time without losing quality, provided it is put into storage in good condition. Canadian canary seed is normally harvested in September and early October.

Canadian canary seed production increased during the early 1990s, but has been variable since then. The peak in production was in 1996-1997 with 285,000 t. In 2001-2002 and 2002-2003, production was reduced by drought. On average, Saskatchewan accounted for 85% of Canadian production, followed by Manitoba at 10% and Alberta at 5%.

Canario

Canario is a glabrous or hairless type of canary seed developed in Canada, with

first commercial production starting in 1997. Canary seed has tiny hairs at the base of the seed that break off and cause severe itching to producers, processors, and packagers. Canario eliminates that problem. Canario also helps the industry through reduced shipping costs due to 12% greater seed packing per container and the elimination of the oiling and polishing steps in processing.

The Canadian Special Crops Association (CSCA) has obtained registration for the trademark Canario in Canada, European Union and Mexico. Registration in the US and Brazil is pending. Canario varieties must be 97% glabrous in order to bear the Canario trademark. The Canadian Grain Commission has developed a Canario Seed Analysis Certificate to be used for shipments of canary seed which meet the Canario standard.

Uses

Canary seed has only one market at the present time, as a major component in seed mixtures for pet and wild birds. Typically it is mixed with seeds such as

millet, sunflower seed, safflower seed, niger seed, buckwheat, cereal grains, flaxseed, and canola.

Marketing

All of the canary seed produced in Canada is sold on the open market to dealers. Canary seed going to customers in Canada and the US is shipped bulk in trucks or in containers which are carried by trucks or trains. Canary seed going to northern Europe is usually shipped bulk, whereas canary seed going to customers in southern Europe and other parts of the world is usually shipped in containers. Some canary seed is grown under production contracts, which guarantee a price for part of the production, but most is sold on the spot market.

The Canadian Special Crops Association (www.specialcrops.mb.ca) establishes trade rules and serves as a forum for exporters, dealers and brokers involved in the industry of trading Canada's pulse and special crops, including canary seed.

Preliminary work is underway to establish a canary seed growers organization in Saskatchewan.

WORLD: CANARY SEED SUPPLY AND DISPOSITION

	1999 -2000	2000 -2001	2001 -2002	2002 -2003f	2003 -2004f
Harvested Area (000 ha)	208	226	222	268	305
Average Yields (t/ha)	1.11	1.00	0.77	0.80	0.95
.....thousand tonnes.....					
Carry-in Stocks (e)	115	95	75	30	25
Production:					
<i>Canada*</i>	166	171	114	164	235
<i>Hungary</i>	30	21	25	23	23
<i>Argentina</i>	24	22	19	17	21
<i>Australia</i>	5	5	6	5	5
<i>Uruguay</i>	3	3	3	3	3
<i>Thailand</i>	2	2	2	2	2
<i>Mexico/Spain/Turkey</i>	1	1	1	1	1
Total Production	231	225	170	215	290
Total Supply	346	320	245	245	315
Total Use (e)	251	245	215	220	255
Carry-out Stocks (e)	95	75	30	25	60

e: estimate, Agriculture and Agri-Food Canada, May 2003

f: forecast, Agriculture and Agri-Food Canada, May 2003

Source: FAO, except * which is Statistics Canada, May 2003

Canary seed does not fall under the Canada Grain Act and Regulations (CGAR).

Therefore, the Canadian Grain Commission (CGC - www.grainscanada.gc.ca) has not established grades for the crop and canary seed producers do not qualify for compensation should companies licensed by the CGC default on their payments. The CGC is gathering input from producers and other sectors of the canary seed industry until May 30, 2003 on whether canary seed should be designated a grain and regulated under the CGAR. The CGC does perform dockage analysis on canary seed samples submitted.

Export specifications for canary seed are usually minimum 99% pure seed, with a maximum of 4% dehulled seed.

Domestic Use

Canadian domestic use, which includes bird seed, seed and dockage, has ranged from about 20,000 t to 29,000 t during the past three years. Canary seed is mixed with other seed for bird seed by processors located in western and central Canada, and sold under their own brands or under customized store brands. No standards exist for mixes or packaging. A company in Saskatchewan is using organic canary seed in organic bird seed mixtures.

Exports

Canadian exports of canary seed are mainly in the bulk, unprocessed form, although packaged seed mixtures are also exported. Exports peaked at 170,000 t in 2000-2001, but fell sharply in 2001-2002 to 134,000 t, due to lower production, and are forecast at 145,000 t for 2002-2003. The western hemisphere and Europe are the main destinations for Canadian canary seed, although it is exported throughout the world. The main importing countries, in order of importance, are Mexico, Belgium, the US, Brazil, Spain, Venezuela, Italy, Colombia, Chile and Portugal. Although Canada is the dominant exporter, it has competition from Argentina in South America and from Hungary in Europe.

Prices

Canadian prices are determined on an export basis because Canada exports about 75% of its canary seed production. They are, therefore, highly sensitive to the value of the Canadian dollar in foreign markets. Since there are no futures markets for canary seed, prices are negotiated between the producer, dealer and customer based on supply and demand factors. The prices negotiated could be for immediate or future delivery. Average producer prices rose steadily during the early 1990s until 1995-1996. Since then, the average price has been more volatile, depending

on the total supply, and reached a low of \$240 per tonne (/t) in 1999-2000. The average price increased sharply in 2001-2002 to \$660/t due to sharply lower supply, but is forecast to decrease for 2002-2003.

OUTLOOK

World: 2003-2004

Production is forecast to increase by 35% to 290,000 t, mainly because of higher production in Canada. Total supply is forecast to increase by 28% to 315,000 t. Total use is expected to increase because of the higher supply and lower prices, but carry-out stocks are also expected to increase.

Canada: 2003-2004

Area seeded is forecast to decrease by 6% from 2002-2003, due to expected lower prices and competition from alternate crops. However, the harvested area is expected to increase by 17%, assuming normal abandonment. Due to dry soil conditions in some canary seed growing areas of western Canada, average yields are forecast to be slightly below trend, but significantly higher than in 2002-2003. Assuming normal precipitation during the growing season, production is forecast to increase by 43% to 235,000 t.

Total supply is forecast to increase by 31% to 255,000 t. Exports are forecast to increase because of the larger supply and lower prices. Carry-out stocks are expected to increase, with a stocks-to-use ratio of 27%. The average price is forecast to decrease by about 40% because of the larger supply. However, due to low carry-in stocks, prices are expected to be very sensitive to any production problems. The main factors to watch are precipitation during the growing season and the exchange rate of the Canadian dollar against the

US dollar and other currencies.

Canada: Longer Term

The development of Canario offers opportunities for food and industrial uses. Researchers have established that Canario groats (dehulled seed) have a protein content of about 19%, which is significantly higher than for wheat and other cereal grains and is close to pulse crops. Canario's oil content is about 9%, about four times as high as for wheat. The oil is made up of 32% oleic and 54% linoleic fatty acids, a desirable composition for human consumption. Prolamin and glutelin are the main

WORLD: CANARY SEED EXPORTS

<i>calendar year</i>	1997	1998	1999	2000	2001
.....thousand tonnes.....					
Canada*	136	127	145	158	166
Argentina	9	15	21	21	22
Belgium	8	9	11	9	13
United States	20	21	20	14	8
Netherlands	7	6	5	5	5
Hungary	21	33	27	5	5
Australia	1	2	2	3	1
Other	10	10	2	3	5
Total	212	223	233	218	225

WORLD: CANARY SEED IMPORTS

<i>calendar year</i>	1997	1998	1999	2000	2001
.....thousand tonnes.....					
Mexico	42	51	49	54	53
Brazil	39	42	39	42	38
Belgium	31	27	30	34	36
United States	15	19	17	14	16
Spain	17	17	16	14	15
Germany	7	5	7	5	10
Italy	11	13	15	10	9
Venezuela	4	4	5	6	7
Colombia	2	3	4	4	6
United Kingdom	12	4	7	7	4
Netherlands	9	9	10	5	4
Portugal	5	5	5	5	4
Chile	3	3	4	4	4
France	4	5	4	5	4
Peru	1	1	1	2	3
Other	22	16	16	22	21
Total	224	224	229	233	234

The difference between imports and exports is attributed to the timing of delivery.

Source: FAO, except * which is Statistics Canada, May 2003

storage proteins in canary seed, constituting 78% of total proteins. Canary seed protein is high in cystine, tryptophan and phenylalanine, but low in lysine and threonine. It would be a good supplemental protein source for dairy proteins, such as casein and whey proteins. Its starch content is similar to wheat, at about 61%. Canario has a high lipid content, which could be valuable by-product. The presence of antioxidant activity in Canario lipid could be a delaying factor in rancidity of Canario products during storage. Canario starch comprises small polygonal granules, smaller than commercially available starches. It was

found to form a rigid gel which was stable under cooling and freezing conditions.

Canary seed could be roasted and used as a low fat substitute for sesame seed in bread and snack food. It has the potential for use as a fat substitute because the oil is high in unsaturated fat. Canario's starch properties could make it suitable for use in the cosmetics industry or as an industrial dusting starch. Canario can be separated into starch, protein, oil and fibre by wet milling. The flour can be used in baking wheat-Canario and multi-grain bread and cookies.

The use of Canario for food and industrial products is expected to encourage premium pricing for Canario compared to traditional canary seed. It would also increase demand for Canadian canary seed significantly and increase production. This in turn would result in increased economic diversification through the replacement of traditional crops and through the development of new processing opportunities for food and industrial uses.

For periodic updates on the situation and outlook for canary seed, visit the Market Analysis Division Website for "Canada: Pulse and Special Crops Outlook."

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CANADA: CANARY SEED SUPPLY AND DISPOSITION					
<i>August-July crop year</i>	1999 -2000	2000 -2001	2001 -2002	2002 -2003f	2003 -2004f
Seeded Area (000 ha)	150	166	170	275	259
Harvested Area (000 ha)	146	164	163	214	250
Yield (t/ha)	1.14	1.04	0.70	0.77	0.94
..... thousand tonnes.....					
Carry-in Stocks	110	90	70	30	20
Production	166	171	114	164	235
Total Supply	276	261	184	194	255
Exports:					
<i>Europe</i>	66	54	49	47	53
<i>Central America</i>	42	53	35	37	42
<i>South America</i>	28	42	29	35	38
<i>United States</i>	15	15	15	19	20
<i>Middle East & Africa</i>	4	4	3	4	4
<i>Asia & Oceania</i>	2	2	3	3	3
Total Exports	157	170	134	145	160
Total Domestic Use	29	21	20	29	40
Total Use	186	191	154	174	200
Carry-out Stocks	90	70	30	20	55
Stocks-to-use ratio (%)	48	37	19	11	27
Harvested Area (000 ac.)	361	405	403	529	618
Yield (lb/ac.)	1,014	930	624	684	839
Production (Mlb)	366	377	251	362	518
Average producer price					
\$/t	240	265	660	600	340
\$/lb	0.11	0.12	0.30	0.27	0.15
				-0.29	-0.17

f: forecast, Agriculture and Agri-Food Canada, May 2003

Source: Statistics Canada and Agriculture and Agri-Food Canada

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CANADA: GRAINS AND OILSEEDS OUTLOOK

April 29, 2003

The Statistics Canada (STC) seeding intentions survey, conducted during late March, indicates that, in western Canada, the areas seeded to winter wheat, canola, flaxseed and soybeans are expected to increase, while the areas seeded to spring wheat, durum, coarse grains, pulses and special crops are expected to decrease, as is the area in summerfallow. In eastern Canada, the increase in the area seeded to winter wheat more than offsets the decrease in the area seeded to soybeans and coarse grains. Although soil moisture reserves in western Canada are better than a year ago, there are dry areas in north-eastern Alberta, north-western Saskatchewan and south-central Manitoba, and timely rains will be required. Assuming near-normal yields and abandonment rates, total production of grains and oilseeds in Canada is forecast by AAFC to increase to 61 million tonnes (Mt) from 42 Mt in 2002-03. Supplies are forecast to increase considerably as higher production more than offsets the low carry-in stocks. Total exports are forecast to increase to 24 Mt from 15 Mt expected for 2002-03. In Canada, grains and oilseed prices are expected to decline due to lower world prices and appreciation of the Canadian dollar.

Average world grain and oilseed prices for 2003-04 are expected to decline from the 2002-03 level due to higher US and world production. For most major crops, domestic support programs in the US and EU are expected to continue to encourage high production, which will pressure prices. The major factors to watch are growing conditions in the major importing and exporting regions, level of EU wheat export subsidies, wheat exports from Ukraine and Russia, import demand from China and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2003-04, area seeded is expected to increase slightly, largely due to record winter wheat area in Ontario, with spring wheat area in western Canada down marginally. Harvested area is expected to increase by 25%, however, due to lower abandonment. Average yields are expected to rise by 32%, with production 64% higher than in 2002-03. Due to sharply lower carry-in stocks, supplies are expected to rise by just 36%. Exports are forecast to increase to 12.0 Mt, but remain well below the 10-year average of 15 Mt. Feed use is expected to fall slightly, assuming a return to a normal grade distribution, which will result in reduced supplies of lower quality wheat. Carry-out stocks are forecast to rise by 20%, to 4.2 Mt, well below the 10-year average of 6.4 Mt. The Canadian Wheat Board (CWB) April 2003-04 Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$193/t, in-store Vancouver/St. Lawrence, \$57/t below the 2002-03 PRO. Ontario winter wheat production is forecast to rise by 72% to a record 2.0 Mt, due to a record seeded area.

DURUM

Area seeded is estimated to decrease by 5% but production is forecast to rise by 35% due to higher expected harvested area and improved yields. This will be partly offset by a 14% drop in carry-in stocks, so that supplies will rise by only 20%, slightly below the 5-year average. Exports, however, are forecast to increase by only 3%, due to reduced North African import demand, which is forecast by the International Grains Council to fall by 1.2 Mt from 2002-03. Assuming a return to normal grade distribution, the CWB may be able to offset this by increasing sales into more quality-conscious markets. Carry-out stocks are projected to increase by 57%, to 2.2 Mt, above the 10-year average of 1.8 Mt. The CWB PRO for No.1 CWAD 11.5% protein is \$209/t I/S VC/SL, \$68/t below the 2002-03 PRO. The premium for No.1 CWAD 11.5% over No.1 CWRS 11.5% is forecast at \$16/t vs. \$27/t for 2002-03.

BARLEY

Area seeded is estimated to decrease slightly but production is forecast to increase by 82% due to higher expected harvested area, improved yields and a lower abandonment rate. Supplies are expected to increase by 55%. Exports of malting barley are expected to increase significantly while feed barley exports remain historically low, although higher than 2002-03. Feed use is expected to increase significantly as barley supplies displace imports of US corn in western Canada. Carry-out stocks are forecast to increase. Off-Board feed barley prices are expected to decrease sharply. The CWB PRO for No.1 CW Feed Barley is \$126/t vs the 2002-03 PRO of \$167/t. The CWB PRO for Special Select Two Row designated barley is \$203/t vs the 2002-03 PRO of \$248/t, largely due to increased supplies in North America and Australia.

OATS

Area seeded is estimated to decrease by 9%, but production is forecast to rise by about 40 percent due to higher expected harvested area, improved yields and a lower rate of abandonment. Supplies are expected to increase by 34%. Exports, mainly to the US, are expected to increase significantly due to the larger supplies. Carry-out stocks are expected to rise. Prices are forecast to fall sharply, largely due to increased production in Canada and the US. The premium for oats, relative to corn on the CBoT, is expected to fall significantly.

CORN

Area seeded is estimated to decrease marginally, but production is expected to increase slightly due to higher yields. Imports are expected to fall by about 55% to 2.0 Mt, mainly due to higher barley production in western Canada. Feed use of corn is also expected to decline, as a result of larger supplies of barley in western Canada. Carry-out stocks are forecast to decrease. Chatham corn prices are forecast to decrease by about 10% to \$115-145/t, due to lower US corn prices and the appreciation of the Canadian dollar.

CANOLA

Area seeded is estimated to increase significantly, but will remain slightly below the 5 year average. Production is expected to rise by about 65%, as a return to near-normal yields supplements the increase in harvested area. Supplies are forecast to increase considerably, as higher production more than offsets the relatively low carry-in stocks. Domestic crush and exports are expected to increase. Carry-out stocks are forecast to increase to more historical levels. The average prices are expected to fall due to higher Canadian and world canola/rapeseed production and a stronger Canadian dollar.

FLAXSEED (excluding solin)

Area seeded is estimated to increase by 7% and just marginally higher than the 5 year average. Production is expected to increase by 35%, reflecting the higher seeded area and a return to near-normal yields. Supplies are forecast to rise significantly as higher production more than offsets low carry-in stocks. Exports are forecast to increase slightly. Carry-out stocks are expected to increase, pressuring average prices.

SOYBEANS

Area seeded in Canada is expected to decrease by 6% as lower area in Ontario and Quebec more than offsets higher area in Manitoba. Production is forecast to increase by 7% due to higher yields. Supplies are expected to increase accordingly. Domestic crush is expected to be unchanged while exports rise significantly due to higher supplies. Prices are forecast to decline due to lower US soybean prices related to higher US and South American production.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

April 29, 2003

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use	Feed, Waste & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----											
Durum											
2001-2002	2,036	1.47	2,987	12	5,871	3,628	249	126	613	1,631	260.43
2002-2003f	2,185	1.70	3,714	10	5,355	3,100	250	375	855	1,400	277 *
2003-2004f	2,325	2.16	5,020	10	6,430	3,200	250	560	1,030	2,200	209 **
Wheat Except Durum											
2001-2002	8,550	2.06	17,581	85	24,452	12,580	2,792	3,393	6,971	4,901	207.16
2002-2003f	6,428	1.86	11,976	225	17,102	6,400	2,815	3,592	7,202	3,500	250 *
2003-2004f	8,000	2.45	19,625	150	23,275	12,000	2,840	3,405	7,075	4,200	193 **
All Wheat											
2001-2002	10,585	1.94	20,568	97	30,323	16,207	3,041	3,519	7,584	6,532	
2002-2003f	8,613	1.82	15,690	235	22,457	9,500	3,065	3,967	8,057	4,900	
2003-2004f	10,325	2.39	24,645	160	29,705	15,200	3,090	3,965	8,105	6,400	
Barley											
2001-2002	4,150	2.61	10,846	112	13,473	1,758	306	8,968	9,723	1,993	158.60
2002-2003f	3,267	2.23	7,283	200	9,476	750	300	6,571	7,326	1,400	165-185
2003-2004f	4,522	2.94	13,280	40	14,720	2,400	300	9,565	10,320	2,000	120-150
Corn											
2001-2002	1,267	6.62	8,389	3,882	13,151	193	2,285	9,583	11,903	1,056	132.90
2002-2003f	1,288	7.04	9,065	4,400	14,521	300	2,425	10,461	12,921	1,300	135-155
2003-2004f	1,286	7.22	9,285	2,000	12,585	300	2,600	8,550	11,185	1,100	115-145
Oats											
2001-2002	1,238	2.17	2,691	53	3,598	1,409	118	1,498	1,824	365	202.19
2002-2003f	1,298	2.12	2,749	15	3,129	1,200	150	1,211	1,579	350	200-220
2003-2004f	1,576	2.44	3,840	5	4,195	1,725	150	1,611	1,970	500	125-155
Rye											
2001-2002	123	1.85	228	4	309	62	39	144	198	49	
2002-2003f	77	1.74	134	5	188	45	38	57	113	30	
2003-2004f	133	2.18	290	5	325	80	47	140	205	40	
Mixed Grains											
2001-2002	159	2.80	447	0	447	0	0	447	447	0	
2002-2003f	132	2.72	359	0	359	0	0	359	359	0	
2003-2004f	156	2.85	445	0	445	0	0	445	445	0	
Total Coarse Grains											
2001-2002	6,937	3.26	22,600	4,051	30,978	3,422	2,748	20,639	24,093	3,462	
2002-2003f	6,062	3.23	19,589	4,620	27,672	2,295	2,913	18,658	22,297	3,079	
2003-2004f	7,672	3.54	27,140	2,050	32,269	4,505	3,097	20,311	24,125	3,639	
Canola											
2001-2002	3,765	1.31	4,926	226	6,240	2,524	2,293	176	2,502	1,215	357.45
2002-2003f	2,857	1.25	3,577	225	5,017	2,100	2,000	197	2,242	675	405-425
2003-2004f	4,296	1.37	5,880	200	6,755	3,000	2,500	335	2,880	875	345-375
Flaxseed excluding Solin											
2001-2002	662	1.08	715	24	998	618	n/a	n/a	191	189	319.77
2002-2003f	633	1.07	679	22	890	600	n/a	n/a	180	110	405-425
2003-2004f	719	1.27	915	15	1,040	625	n/a	n/a	190	225	335-365
Soybeans											
2001-2002	1,069	1.53	1,635	982	2,803	495	n/a	n/a	2,136	172	269.01
2002-2003f	1,024	2.28	2,335	450	2,957	600	n/a	n/a	2,217	140	300-320
2003-2004f	962	2.60	2,500	550	3,190	800	n/a	n/a	2,230	160	260-290
Total Oilseeds											
2001-2002	5,495	1.32	7,277	1,233	10,041	3,637	n/a	n/a	4,828	1,576	
2002-2003f	4,514	1.46	6,591	697	8,864	3,300	n/a	n/a	4,639	925	
2003-2004f	5,976	1.56	9,295	765	10,985	4,425	n/a	n/a	5,300	1,260	
Total Grains And Oilseeds											
2001-2002	23,018	2.19	50,444	5,381	71,342	23,266	n/a	n/a	36,505	11,570	
2002-2003f	19,189	2.18	41,870	5,552	58,992	15,095	n/a	n/a	34,993	8,904	
2003-2004f	23,974	2.55	61,080	2,975	72,959	24,130	n/a	n/a	37,530	11,299	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use. **For flaxseed and soybeans, food/industrial use and feed/waste/dockage are included in the total domestic use, but are not listed due to data confidentiality.**

(e) Crop year average prices: No.1 CWRS 11.5% and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* March 2003 CWB Pool Return Outlook (PRO). ** April 2003 CWB PRO

f: Agriculture and Agri-Food Canada forecast, April 29, 2003

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

April 29, 2003

Area seeded to pulse and special crops for 2003-04 in Canada is forecast to decrease by 7%, as a higher seeded area for mustard seed and sunflower seed is more than offset by a lower area for lentils, dry beans, chick peas, canary seed and buckwheat. The area seeded to dry peas is forecast to be similar to 2002-03. Statistics Canada's (STC) seeding intentions survey, conducted during March 21-28 and released on April 24, provided estimates of areas seeded for most of the pulse and special crops by province but, in some cases, the area seeded has been forecast by AAFC. The actual seeded area may differ due to changes in market outlook, expected prices, spring weather conditions, as well as producer reaction to the STC seeding intentions report. To date, only a small amount of seeding has been completed. It is assumed that precipitation will be normal for the spring and summer. Although soil moisture reserves in western Canada are better than a year ago, there are dry areas in north-eastern Alberta, north-western Saskatchewan and south-central Manitoba. Therefore, yields are forecast to be slightly below trend, but significantly higher than in 2002-03. For eastern Canada, trend yields are assumed. It has been assumed that abandonment will return to normal, so that the harvested area for most crops is expected to increase from 2002-03. It has also been assumed that the average crop quality will return to normal.

For 2003-04, total pulse and special crops production is forecast to increase by 50%, compared to 2002-03, to 4.17 million tonnes (Mt). Total supply is expected to increase by only 28% because of lower carry-in stocks. Total exports and domestic use are forecast to increase due to the higher supply and strong demand, resulting in moderately higher carry-out stocks. Average prices, over all grades and markets, are forecast to increase from 2002-03 for dry beans, chick peas and buckwheat, decrease for dry peas, lentils, mustard seed and canary seed, and be the same for sunflower seed. However, prices are expected to be very sensitive to any production problems due to low world carry-in stocks. The main factors to watch will be precipitation during the spring and summer in western Canada, the exchange rate of the Canadian dollar against the US dollar and other currencies, and growing conditions in major producing countries.

DRY PEAS

For 2003-04, production and supply are forecast to increase significantly, with a stable seeded area, lower abandonment and higher yields. Production is expected to increase for yellow, green and other types. World supply is expected to increase by 15% to 11.1 Mt, but this is expected to be mostly offset by higher consumption, especially for livestock feed. Canadian exports and domestic use are forecast to increase, with a larger portion going into the feed market. Carry-out stocks are forecast to increase with a stocks-to-use (s/u) ratio of 8%. The average price, over all types, grades and markets, is forecast to decrease due to the higher world supply.

LENTILS

Production and supply are forecast to increase significantly, as a 15% decrease in seeded area is more than offset by lower abandonment and higher yields. Production is expected to increase for large, medium and small green, red and other types. World supply is expected to increase by 3% to 3.3 Mt. Canadian exports are expected to increase, as Canada's share of world supply increases. Carry-out stocks are forecast to remain low. The average price, over all types and grades, is forecast to decrease due to the higher supply.

DRY BEANS

Production and supply are forecast to decrease significantly, due mainly to a 28% decrease in seeded area. Production is expected to decrease for white pea, pinto, black, red kidney and cranberry beans, increase for Great Northern beans, and be similar to 2002-03 for small red and pink beans. Exports are forecast to decrease, due to the lower supply, and carry-out stocks are expected to decrease to a low level. US production and supply are also expected to decrease due to a forecast 21% decrease in seeded area. The average price, over all classes and grades, is forecast to

increase due to the lower supply.

CHICK PEAS

Production is forecast to increase slightly, as a 35% decrease in seeded area is offset by lower abandonment and higher yields. Production is expected to increase for the desi type, but decrease for the large and small kabuli types. However, supply is forecast to decrease sharply due to lower carry-in stocks. World supply is expected to increase by 4% to 7.87 Mt. Canadian exports are forecast to decrease due to lower supply. Carry-out stocks are forecast to decrease to a low level. The average price, over all types, sizes and grades, is forecast to increase due to expected higher quality.

MUSTARD SEED

Production and supply are forecast to increase significantly due to a 10% increase in seeded area, lower abandonment and higher yields. Production is expected to increase for all types, yellow, brown and oriental. Exports are expected to increase because of the higher supply. Carry-out stocks are forecast to increase, with a s/u ratio of 27%. The average price, over all types and grades, is forecast to decrease because of higher supply.

CANARY SEED

Production and supply are forecast to increase significantly, as a 6% decrease in seeded area is more than offset by lower abandonment and higher yields. World supply is forecast to increase by 28% to 315,000 t. Canadian exports are expected to increase, because of the higher supply. Carry-out stocks are forecast to increase, with a stocks-to-use ratio of 27%. The average price is forecast to decrease because of increased supply.

SUNFLOWER SEED

Production and supply are forecast to increase moderately due to a 19% increase in seeded area. Production is expected to increase for both types, confectionary and oilseed. World supply is expected to increase by 2% to 24.8 Mt, due to higher production of the oilseed type. Total US and Canadian supply of the confectionary type is expected to decrease, while the total supply of the oilseed type increases. Canadian exports and domestic use are expected to increase due to the higher supply and strong demand. Carry-out stocks are forecast to increase slightly, with a s/u ratio of 13%. Lower total US and Canadian supply is expected to support prices for the confectionary type, while higher world supply is expected to pressure prices for the oilseed type. The average price, over both types and all grades, is forecast to be the same as in 2002-03.

BUCKWHEAT

Production is forecast to remain stable, as a 10% drop in seeded area is offset by higher yields. Supply is expected to decrease due to lower carry-in stocks. World supply is forecast to decrease by 7% to 2.69 Mt. Canadian exports and domestic use are forecast to remain stable, and stocks are forecast to decrease to a negligible level. The average price, over all grades and markets, is forecast to increase slightly due to the lower supply.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

April 29, 2003

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----									
Dry Peas									
1999-2000	835	2.70	2,252	12	2,639	1,417	822	400	135
2000-2001	1,220	2.35	2,864	12	3,276	2,196	885	195	138
2001-2002	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003f	1,050	1.30	1,365	35	1,675	1,000	575	100	205-235
2003-2004f	1,250	1.97	2,460	25	2,585	1,600	785	200	155-185
Lentils									
1999-2000	497	1.46	724	10	794	503	211	80	380
2000-2001	688	1.33	914	5	999	475	268	256	295
2001-2002	664	.85	566	6	828	478	219	131	320
2002-2003f	387	.91	354	5	490	335	145	10	385-415
2003-2004f	497	1.17	580	5	595	420	165	10	370-400
Dry Beans									
1999-2000	154	1.91	294	41	360	260	60	40	500
2000-2001	162	1.65	268	40	348	227	71	50	465
2001-2002	175	1.70	298	42	390	263	97	30	725
2002-2003f	219	1.89	414	25	469	300	114	55	450-480
2003-2004f	160	1.72	275	35	365	265	90	10	530-560
Chick Peas									
1999-2000	139	1.42	197	5	207	56	136	15	390
2000-2001	283	1.37	388	5	408	179	199	30	410
2001-2002	467	.97	455	12	497	180	187	130	380
2002-2003f	154	1.01	156	10	296	160	116	20	315-345
2003-2004f	136	1.21	165	15	200	105	85	10	355-385
Mustard Seed									
1999-2000	273	1.12	306	1	357	170	72	115	285
2000-2001	208	.97	202	1	318	151	62	105	280
2001-2002	158	.66	105	3	213	168	12	33	685
2002-2003f	255	.60	154	8	195	155	30	10	625-655
2003-2004f	312	.85	265	3	278	170	48	60	415-445
Canary Seed									
1999-2000	146	1.14	166	0	276	157	29	90	240
2000-2001	164	1.04	171	0	261	170	21	70	265
2001-2002	163	.70	114	0	184	134	20	30	660
2002-2003f	214	.77	164	0	194	145	29	20	600-630
2003-2004f	250	.94	235	0	255	160	40	55	340-370
Sunflower Seed									
1999-2000	79	1.54	122	19	145	49	55	41	295
2000-2001	69	1.72	119	18	178	77	55	46	320
2001-2002	67	1.55	104	30	180	92	66	22	355
2002-2003f	95	1.65	157	15	194	100	74	20	425-455
2003-2004f	113	1.59	180	15	215	110	80	25	425-455
Buckwheat									
1999-2000	13	1.00	13	1	16	8	7	1	305
2000-2001	15	.93	14	1	16	9	7	0	305
2001-2002	14	1.14	16	1	17	7	8	2	325
2002-2003f	12	1.00	12	1	15	7	7	1	325-355
2003-2004f	11	1.09	12	1	14	7	7	0	330-360
Total Pulse And Special Crops(c)									
1999-2000	2,136	1.91	4,074	89	4,794	2,620	1,392	782	
2000-2001	2,809	1.76	4,940	82	5,804	3,484	1,568	752	
2001-2002	2,993	1.23	3,681	121	4,554	2,703	1,198	653	
2002-2003f	2,386	1.16	2,776	99	3,528	2,202	1,090	236	
2003-2004f	2,729	1.53	4,172	99	4,507	2,837	1,300	370	

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, April 29, 2003

Source: Statistics Canada and industry consultations.

Agriculture and
Agri-Food CanadaAgriculture et
Agroalimentaire Canada

Bi-weekly Bulletin

May 23, 2003 Volume 16 Number 11



DURUM WHEAT: 2002-2003 SITUATION AND 2003-2004 OUTLOOK

Prices for durum wheat have been historically strong in 2002-2003 because consumption has exceeded production causing expected carry-out stocks in the major exporting countries to fall to the lowest level since 1997-1998. For 2003-2004, carry-out stocks are forecast to increase, due to a significant rise in world production, and durum prices are expected to average about 20% below 2002-2003. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for durum wheat.

Demand Considerations

Durum wheat (*Triticum durum*) is a separate species from most other commercially grown wheat classes (which are mainly *t. aestivum*), and it has unique characteristics. Therefore, the substitutability of common wheat for durum wheat, and vice versa is limited. Good quality durum has a very hard vitreous (i.e. glassy looking) kernel (HVK), with an amber yellow endosperm, compared to the white endosperm of common wheat. Pasta made from durum semolina maintains a desirable firm texture during cooking, and it has a natural amber colour that is associated with good quality pasta. Pasta made from common wheat, even that made from high protein hard red spring wheat, tends to absorb more water in cooking and produce a softer, stickier product, and it is white unless artificial colour is added.

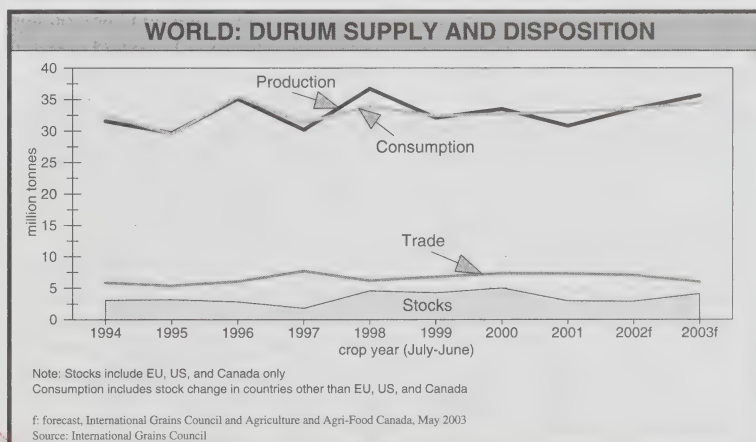
In Europe and North America, pasta products such as spaghetti and macaroni are generally produced exclusively from durum wheat. New pasta production techniques, such as high temperature drying, have improved the quality of pasta that can

be made from common wheat, but discriminating pasta consumers continue to prefer pasta made from 100% durum wheat. In North Africa, durum is preferred for the production of couscous, a staple food in the region. As a result, the demand for durum tends to be quite price-inelastic. A small shortage of durum can result in a large increase in durum premiums over common wheat and increased supplies result in price shrinkage. Even if global supplies of common wheat are abundant, a shortage of

durum can result in high durum prices, as most end-users are unwilling to switch to common wheat. Conversely, because the market beyond traditional pasta and couscous production is limited, a relatively small increase in durum production can result in large durum price declines.

Production Considerations

The best quality durum is produced in regions having a relatively dry climate, with hot days and cool nights, during the growing season. Durum wheat also



yields relatively well under dry conditions, compared to many alternative crops. Durum produced under conditions of higher moisture tends to have a low HVK count, making it less suitable for the production of pasta. Fungal diseases are also more common in moist climates, one of the more serious being fusarium head blight or "scab", which is a serious degrading factor to which no durum variety has resistance. Traditional durum consumption therefore developed in the hot dry regions around the Mediterranean such as North Africa, southern Europe, Turkey, and Syria. In North America, western North Dakota and southern Saskatchewan are the major growing regions, with a small area produced under irrigation in the Arizona and California deserts, where it is mainly grown as a rotation crop with vegetables.

World Situation and Outlook

World durum production for **2002-2003** is estimated by the International Grains Council (IGC) at 33.5 million tonnes (Mt), an increase of 9% from 2001-2002. However, total carry-in stocks have declined by 14%, to 8.2 Mt, so that supplies are up by just 3%, at 41.7 Mt. Major exporters' carry-in stocks were down by 41% from the previous year, at 2.9 Mt, the lowest since 1997-1998, and 15% below the 10-year average. The increase in production for 2002-2003 was mainly the result of larger crops in Canada and the European Union (EU), with the United States (US) and North African production declining. World durum usage in 2002-2003 is projected by IGC at 33.3 Mt, slightly below production. As a result, world durum stocks are forecast to rise by 2%, to 8.4 Mt. However, major exporter stocks are projected to be relatively unchanged at 2.9 Mt.

For **2003-2004**, world durum production is forecast by the IGC to rise by 7%, to 35.7 Mt, the highest since 1998-1999. Larger crops are expected in Canada, the US, North Africa and Australia, which will be only partly offset by smaller crops in the EU, Turkey and Syria. With slightly higher carry-in stocks, total supplies are projected to rise by 6%, to 44.1 Mt. Consumption is forecast by IGC to rise by 3%, to 34.4 Mt. World trade is projected by Agriculture and Agri-Food Canada (AAFC) to decline by 14%, to 6.0 Mt, due to reduced import demand from key markets, notably North Africa. Carry-out stocks are expected to rise by 15%, to 9.7 Mt. Major exporter stocks are forecast at 4.1 Mt, a 42% increase.

MAJOR EXPORTERS

CANADA: 2002-2003

Supply

In response to strong premiums over Canada Western Red Spring (CWRS) in 2001-2002, and declining farm-held stocks, western Canadian farmers increased their **2002-2003** durum area by 15%, to 2.49 million hectares (Mha). Due to severe drought in parts of western Canada, abandonment was well above normal, however, and harvested area rose by only 7%, to 2.19 Mha. Yields on the harvested area were higher than in 2001-2002, however, as the drought was concentrated in the more northerly regions of Saskatchewan, while durum production is concentrated in the south. Western Canadian durum yields in 2002-2003 are estimated by Statistics Canada at 1.70 tonnes per hectare (25 bushels per acre {bu/ac}), 16% above the previous year, when the drought was more concentrated in the south.

Due to the combination of a larger area and improved yields, production rose by 24%, to 3.7 Mt. The higher production was more than offset by lower carry-in stocks, which fell by 43% to 1.6 Mt. As a result, supplies have declined by 9%, to 5.4 Mt.

Quality

Due to excess rain at harvest, which resulted in sprouting, bleaching and mildew, the quality of the 2002 durum crop is reported to be well below normal, with only about 16% of the crop grading No.2 Canada Western Amber Durum (CWAD) or higher, compared to the 10-year average of about 75%. Protein content was well above normal, however, due to the hot dry growing conditions, with No.1 CWAD averaging about 14.3% protein (13.5% moisture basis), versus 14.0% last year and the 10-year average of just 12.6%.

Exports

Due to the decreased supplies of durum available, particularly of the top quality grades, Canadian exports (including semolina) are forecast to fall by 15% compared to 2001-2002, to 3.1 Mt, the lowest since 1993-1994. With decreased production in North Africa, import demand from this major market has risen, and Canada has been in a position to take advantage of this market opportunity. Canadian exports to North Africa are forecast at 1.8 to 2.0 Mt in 2002-2003, up from 1.71 Mt in 2001-2002. The EU is also increasing its exports into this region. Durum production in the EU is up by 32% from a year earlier, reducing import demand for Canadian durum. Canadian durum exports to the EU are forecast at 0.25 to 0.30 Mt in 2002-2003, compared to 0.44 Mt in 2001-2002. The US durum crop was 6% smaller in 2002-2003, which would normally mean increased imports from Canada, but the shortage of No.1 CWAD in Canada this year means that exports to the US will decline. Further,

the uncertainties created by US trade investigations, which will only conclude later this year, make forecasts of Canadian exports to the US highly speculative. With these factors in mind, Canada is expected to decrease its share of the world durum market in 2002-2003.

Carry-out Stocks

It is likely that the Canadian Wheat Board (CWB) will be able to accept deliveries of all durum offered by farmers in 2002-2003, and farm held carry-out stocks will fall compared to 2001-2002. The CWB has accepted 100% of the durum offered under the Series A and B delivery contracts, and it is expected that the acceptance of the final Series C contract will also be high. Farm-held stocks as of July 31, 2003 are forecast at 0.2 Mt, compared to 0.52 Mt on July 31, 2002. Carry-out stocks are estimated at 1.4 Mt, versus 1.63 Mt in 2001-2002 and the 5-year average of 1.8 Mt.

CANADA: 2003-2004

For 2003-2004, based on the Statistics Canada March 31 survey of seeding intentions, Canadian farmers are expected to decrease their durum seeded area by 5%, to 2.37 Mha, as a result of lower expected premiums over spring wheat. Assuming normal abandonment and yields, AAFC

forecasts that production will rise by 35% from the drought-reduced 2002-2003 crop, to 5.0 Mt. Despite lower carry-in stocks, supplies are forecast to rise by 20%, to 6.4 Mt and exports are projected to rise slightly to about 3.2 Mt in 2003-2004, but remain below the 5-year average of 3.8 Mt. The EU is expected to harvest another large durum crop in 2003-2004, meaning that export opportunities into the EU will remain limited, and the EU will remain competitive into the North African markets. North African imports are forecast to fall by over 30% due to improved production in that region, reducing demand for Canadian durum. The US is also expected to have a larger durum crop in 2003-2004. However, assuming a return to normal Canadian crop quality in 2003-2004, there may be some opportunity to increase exports into the premium EU market. Exports are also expected to continue to increase into the emerging durum markets in South America and Asia. With declining total world durum trade expected in 2003-2004, Canada is expected to increase its share of the world market.

As a result of the increased production and relatively flat exports, durum carry-out stocks are forecast to rise by 57%, to 2.2 Mt.

UNITED STATES: 2002-2003

Supply

North Dakota accounts for over 80% of total US durum area. US seeded area for 2002-2003 was down marginally from the previous year, at 2.91 million acres (Mac), the lowest since 1994-1995. The average yield in 2002 was slightly below-average at 29 bu/ac, due to drought in parts of the growing region. US production, as a result, is down by 6% from 2001, at only 79 million bushels (Mbu) (2.15 Mt), the smallest crop since 1993-1994. Carry-in stocks were 27% lower than for last year, at 33 Mbu, further reducing domestic supplies.

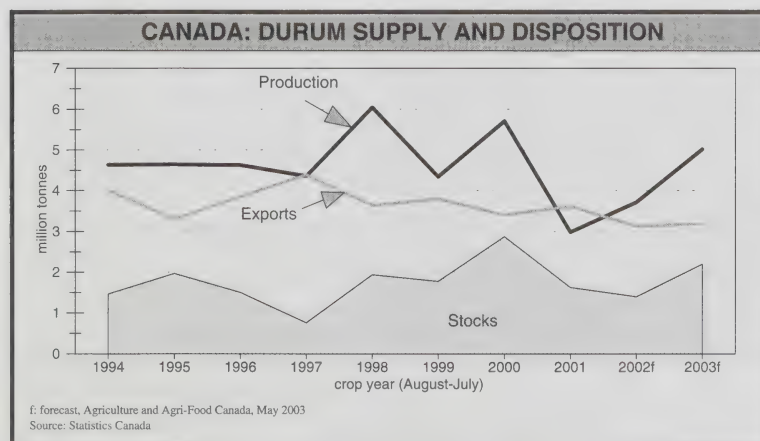
Trade

The United States Department of Agriculture (USDA) projects that US durum exports (June-May) will fall by 36%, to 32 Mbu (0.87 Mt) (including products), due to lower supplies and increased use by the domestic milling market. As of April 24, 2003, US durum exports (including outstanding sales) were 0.74 Mt, down from 1.31 in 2001-2002.

US carry-out stocks are projected to decline by 12% from 2001-2002 to 29 Mbu (0.79 Mt).

UNITED STATES: 2003-2004

Based on the USDA's March 1 seeding intentions survey, US farmers plan to reduce their durum area by about 3% in 2003-2004, to 2.83 Mac. However, assuming a return to normal yields, AAFC forecasts that US durum production will rise by 10%, to 88 Mbu (2.4 Mt). Domestic supplies are expected to rise slightly despite lower carry-in stocks. Due to increased use of domestic durum in the US milling industry, exports are forecast by AAFC to fall by 20%, to 0.7 Mt, the lowest since 1988-1989. Carry-out stocks are projected to decrease by 11%, to 0.7 Mt, well below the 5-year average



of 1.15 Mt. The stocks-to-use ratio would decline to 23%, from 25% in 2002-2003, and remain well below the 5-year average of 31%, which will be supportive of US durum prices in 2003-2004.

EUROPEAN UNION: 2002-2003

Supply

The EU is the largest durum producer in the world, with production concentrated in Italy, Spain, France, and Greece. However, it is also the largest consumer of durum, and since the early 1990s it has been a significant net importer of durum wheat. EU durum area increased slightly in 2002, and yields were above normal levels. As a result, EU production increased by 35%, to 9.3 Mt. This has been partly offset by lower carry-in stocks, which are down by 55%, at 0.4 Mt. As a result, EU domestic durum supplies are up by 24%, at 9.7 Mt.

Trade

The increased supplies have resulted in the IGC forecasting a 58% decrease in EU import requirements, to only 0.7 Mt, the lowest since 1993-1994. The EU has imported an average of 0.5 Mt of durum from Canada over the past 5 years, but this is forecast to decrease to about 0.25-0.30 Mt in

2002-2003, from 0.44 Mt in 2001-2002. EU durum exports are expected to more than double from 0.59 Mt in 2001-2002 to 1.2 Mt in 2002-2003 (including semolina), the highest since 1988-1989. Despite rising durum supplies, no EU export subsidies for durum are expected in 2002-2003. EU durum carry-out stocks are expected to rise by 75%, to 0.7 Mt.

EUROPEAN UNION: 2003-2004

Seeded area is reported to be slightly lower than in 2002-2003, and production is forecast by IGC to decline by 5%, to 8.8 Mt. This remains above the 5-year average of 8.3 Mt. Imports are projected by AAFC to rise by 36%, to 0.95 Mt, but remain below the 5-year average of 1.0 Mt. Due to reduced import demand from North Africa, exports are forecast to fall by 42%, to 0.7 Mt. Carry-out stocks are projected to rise by 71%, to 1.2 Mt, versus the 5-year average of 0.8 Mt.

OTHER PRODUCERS

The other major durum producing countries are Turkey, Syria, Kazakhstan, India, Australia, and Mexico. **Turkey** is the third largest durum producer in the world, next to the EU and Canada, with production averaging 3.3 Mt over the past

5 years. Turkey exported an average of about 0.3 Mt over the past 5 years. Turkey has a large pasta industry and is a major exporter of pasta. Small quantities of durum, averaging 18,000 tonnes a year, are imported to supplement domestic production, especially in years with a poor quality domestic crop. In **2002-2003**, Turkish production is estimated at 3.0 Mt, with exports slightly below normal, at 0.2 Mt. For **2003-2004**, production is forecast to decline to 2.9 Mt, with exports forecast by AAFC to fall to 0.15 Mt. Turkey is not a major Canadian market, tending to source its imports from the EU and the US.

Syrian durum production has risen sharply, from 1.1 Mt in 1990-1991 to 2.8 Mt in **2002-2003**. Some durum is exported, especially when world prices are high, with the 5-year average being 0.3 Mt and with 2002-2003 exports forecast at 0.6 Mt. For **2003-2004**, IGC forecasts that Syrian durum production will decline by 11%, to 2.5 Mt. Exports are forecast to fall by 50%, to 0.3 Mt.

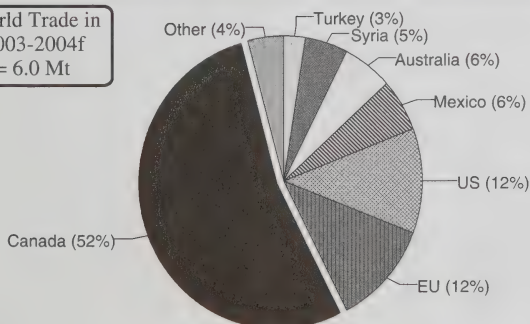
Kazakhstan durum production averages about 2.2 Mt annually, with 2.4 Mt produced in **2002-2003**. For **2003-2004**, production is expected to decline by 4%, to 2.3 Mt. Most Kazakhstan durum is consumed within the Former Soviet Union.

Indian durum production is trending upward, rising from about 1.0 Mt in the late 1980s to 2.1 Mt in **2002-2003**. Production is forecast to decline by 5%, to 2.0 Mt, in **2003-2004**. Durum is used domestically for the production of atta flour. No Indian durum is expected to be exported, due to poor quality and inadequate segregation in the handling system.

Mexican durum production has tripled over the past 10 years, from 0.35 Mt in 1992-1993 to 1.1 Mt in **2002-2003**. Production is forecast to remain

WORLD: DURUM EXPORTS (2003-2004f)

World Trade in
2003-2004f
= 6.0 Mt



f: forecast, AAFC, May 2003

Source: International Grains Council, April 2003, except Canada which is Agriculture and Agri-Food Canada, May 2003

unchanged for **2003-2004**. Some Mexican durum is exported, averaging 0.4 Mt over the past 5 years, with 2002-2003 exports forecast at 0.5 Mt. This is expected to decline to 0.35 Mt for 2003-2004.

Australian durum production has risen from virtually zero in 1990 to about 0.5 Mt for 2001-2002. Production declined by 40% to just 0.3 Mt in **2002-2003**, due to drought, but it is expected to recover to 0.5 Mt for **2003-2004**. Australia has become a significant durum exporter, with 0.58 Mt exported in 2001-2002, targeting the Italian market. This declined to only 0.2 Mt in 2002-20003 due to reduced supplies, but is expected to recover to 0.35 Mt in 2003-2004.

MAJOR IMPORTERS

North Africa

The four North African countries of Algeria, Morocco, Tunisia, and Libya constitute the largest durum import market in the world. Durum based foods are a cultural tradition in these countries, where most durum is consumed in the form of couscous, which is small balls of semolina steamed and prepared in a similar manner to rice. Traditional breads are also made with durum flour, particularly in Morocco. Domestic production is insufficient to meet requirements, and imports have averaged 3.3 Mt over the past 5 years, representing about 55% of annual consumption. Grain production in this region is largely dependent on winter rains, which are somewhat unreliable, and as a result durum production is quite variable, ranging over the past decade from a high of 5.6 Mt in 1996-1997 to a low of 1.7 Mt in 2000-2001. Production for **2002-2003** is estimated by the IGC at a slightly below average 2.5 Mt, down from 3.2 Mt the previous year, as a result of dryness in many regions. Imports are forecast to

increase by 22% compared to 2001-2002, to 3.8 Mt. In 2001-2002, Canada exported a total of 1.71 Mt to this region, 55% of total regional imports. This is expected to increase to between 1.7 and 1.9 Mt in 2002-2003, with Canada's market share decreasing to 45-50%. As of March 31, 2003, Canadian exports to North Africa were 0.92 Mt, versus 0.95 Mt a year earlier.

For **2003-2004**, IGC forecasts North African durum production at 4.0 Mt, an increase of 60% from 2002-2003 and the highest since 1998-1999. As a result of greater domestic supplies, AAFC forecasts that imports will fall by 38%, to 2.35 Mt. Canadian exports into North Africa are expected to fall as a result, although Canada's market share may increase.

Other Importers

The other major durum importing countries are Japan, Venezuela, Peru, and Chile. The **South American** countries represent a major growth market for Canadian durum. Pasta has traditionally been produced from common hard wheat in much of South America. However, through market development work by the CWB, the Canadian Grain Commission, and the Canadian International Grains Institute, Canadian durum exports into South America have increased steadily

over the last decade, from only about 0.4 Mt in the early 1990s, to 0.59 Mt in **2002-2003**. AAFC forecasts that South American imports of durum will increase slightly, to 0.6 Mt, for **2003-2004**.

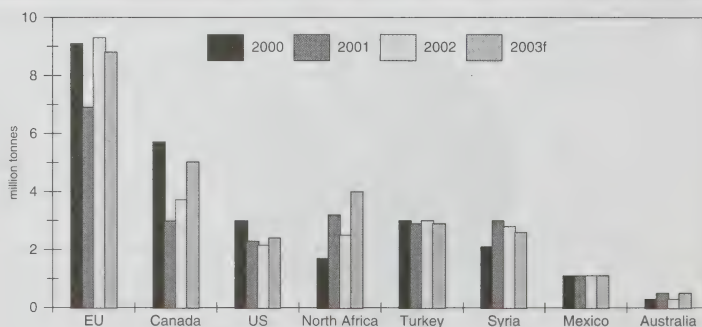
Durum imports by **Japan** have increased steadily from the early 1980s until the mid-1990s, reaching a high of 0.25 Mt in 1996-1997, due to changing dietary habits. However, the slowdown of the Japanese economy has impacted on pasta consumption, and imports have averaged only 0.2 Mt over the past 5 years. Imports are forecast at 0.2 Mt for **2002-2003**, and are expected to remain unchanged for **2003-2004**. Canada supplies the bulk of the Japanese market in durum wheat.

PRICE FORECASTS

Although world durum prices have been pressured by the larger EU crop, and weakening world import demand, prices have been supported by smaller crops in Canada, Australia and the US. The No.3 Hard Amber Durum (HAD) export price FOB Gulf is expected to average US\$200 per tonne (/t) in 2002-2003, versus US\$182/t in 2001-2002 (June-May).

For **2003-2004**, larger crops in North Africa, the US, Canada and Australia

WORLD: DURUM PRODUCTION



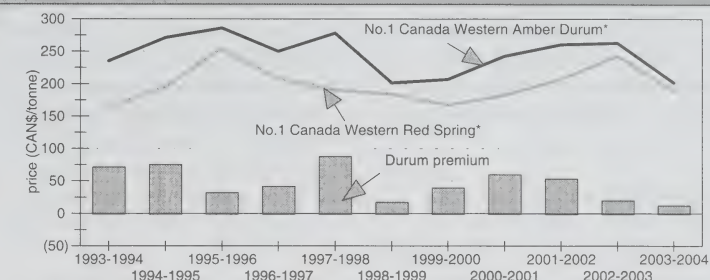
f: forecast, International Grains Council, April 2003, except Canada which is Agriculture and Agri-Food Canada, May 2003
Source: International Grains Council

are expected to pressure world durum prices, with the No.3 HAD Gulf export price forecast at US\$160/t, 20% lower than in 2002-2003.

Canada

For durum wheat, the **2002-2003** May Pool Return Outlook (PRO) for No.1 CWAD with 11.5% protein is \$263/t in-store Vancouver/St. Lawrence, up marginally from 2001-2002. A premium of \$20/t over No.1 CWRS 11.5% is forecast, versus \$53/t in 2001-2002. A western Canadian average on-farm price of about \$217/t for No.1 CWAD 11.5% is expected, compared to \$218/t in 2001-2002. For **2003-2004**, the May PRO for No.1 CWAD 11.5% is \$202/t, a decline of 23% from the current year. Durum pool returns have been further impacted by the strengthening Canadian dollar. The premium over No.1 CWRS 11.5% is forecast to fall to \$12/t. The on-farm price is forecast to fall to \$157/t.

CANADIAN WHEAT BOARD: FINAL REALIZED WHEAT PRICES AND POOL RETURN OUTLOOK



* 11.5% protein after 1999-2000

1993-1994 to 2001-2002: Canadian Wheat Board final realized prices

2002-2003 to 2003-2004: Canadian Wheat Board Pool Return Outlook, May 2003

Source: Canadian Wheat Board

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UNITED STATES DEPARTMENT OF COMMERCE (US DOC) IMPOSES PRELIMINARY COUNTERVAIL AND ANTIDUMPING DUTIES ON CANADIAN WHEAT AND DURUM IMPORTS

On March 3, 2003, DOC made a preliminary determination of subsidy resulting in provisional countervailing duties of 3.94% being imposed on US imports of both Canadian hard red spring (HRS) wheat and durum wheat effective March 10. On May 1, the DOC made its preliminary determination of dumping, imposing anti-dumping duties of 6.12% on HRS wheat and 8.15% on durum wheat effective May 8.

The final DOC subsidy and dumping determinations are expected to be made in mid-July 2003. If the DOC's final determinations are affirmative, the US International Trade Commission will rule on whether injury has occurred 45 days after the DOC's final determinations. If no injury or threat of injury is found, definitive countervailing and dumping duties would not be levied and all bonds for provisional duties will be cancelled.

The CWB has stated that it will continue to sell into the markets that provide the best return for Prairie farmers, and will consider all options to meet that goal when selling to customers in the US and around the world.

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Canadian Wheat Board, Market and Industry Services Branch (AAFC)

A. SELLING PRICE OF FEED INGREDIENTS AT SELECTED POINTS

May 20, 2003

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL 48%	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	May 20, 2003	FOB		228.16	N/A	165.00	174.00		342.50	206.00	137.00	310.00	900.00	530.00					390.00
BC	(4) (7)			228.16	N/A	165.00	183.26		335.50	236.00	145.00	310.00	900.00	530.00					390.00
Calgary	May 20, 2003	FOB		185.00	N/A	165.00	168.00		336.50	N/A		275.00	950.00	575.00					390.00
AB	(4)			185.00	N/A	165.00	169.00		339.50	N/A		275.00	950.00	575.00					390.00
Saskatoon	May 20, 2003	FOB		165.00	185.00	153.50	174.00		323.00	235.00		275.00	N/A	575.00			171.67		440.00
SK	(4)			165.00	185.00	153.50	174.00		329.33	235.00		275.00	N/A	575.00			171.67		440.00
Melfort	May 12, 2003	FOB																	
SK	May 12, 2003																		
Winnipeg	May 20, 2003	FOB		172.00	200.00	156.50	153.00		316.50	235.00		300.00	925.00	480.00					430.00
MB	(4) (9)			174.00	215.00	159.50	153.00		323.00	235.00		300.00	925.00	480.00					430.00
Thunder Bay	May 20, 2003	In-Store		175.00	N/A	162.40													
ON	(8)			177.50	N/A	153.90													
Lake Ports	May 20, 2003	On Board																	
USA	May 12, 2003	Vessel					103.53												
Bay Ports	May 20, 2003	In-Store		208.50	285.00	N/A													
ON	May 12, 2003			204.50	285.00	N/A													
Chatham	May 20, 2003	Track					158.87												
ON	May 12, 2003						158.87												
Toronto	May 20, 2003	N/A						FOB				298.00	N/A	470.00					360.00
ON	(5)											298.00	N/A	470.00					360.00
Hamilton	May 20, 2003	N/A							268.10	N/A									
ON	May 12, 2003								268.10	N/A									
Eastern	May 20, 2003	FOB					166.00												
ON	May 12, 2003						166.00												
London	May 20, 2003	FOB																	
ON	May 12, 2003																		
Port Colborne	May 20, 2003	FOB									114.50								
ON	May 12, 2003										115.50								
Cardinal	May 20, 2003	FOB																	
ON	May 12, 2003																		
Montreal	May 20, 2003			N/A	N/A	N/A	N/A		334.09	244.49	123.00	298.00	850.00	386.00					350.00
QC	(5)			N/A	N/A	N/A	N/A	FOB	342.87	247.75	132.00	298.00	850.00	386.00					370.00
Trois-Rivières	May 20, 2003	In-Store		209.50		N/A	160.52												
QC	May 12, 2003			204.50		N/A	168.10												
St. Jean QC	(2)			193.17	201.19	169.00	162.03		333.25										
St. Hyacinthe QC	May 20, 2003	FOB		192.50	199.91	167.33	163.56		336.00										
Quebec	May 12, 2003	In-Store		189.75	N/A	193.43	189.75		336.66										
QC	May 20, 2003			198.25	N/A	192.07	198.25	FOB	342.50										
Truro	May 20, 2003	Track		230.03	230.00	211.22	203.97		352.32	279.29		330.18		445.00					350.00
NS	May 12, 2003			231.03	230.00	214.27	200.82	FOB	355.63	281.27		330.18		445.00					350.00
Truro	May 20, 2003	Water		N/A	N/A	N/A	200.70												
NS	May 12, 2003	& Truck		N/A	N/A	N/A	197.25												
Halifax	May 20, 2003	In-Store		N/A	N/A	N/A	191.70												
NS	(6)			N/A	N/A	N/A	186.25												

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodities Exchange market close
 Contact: Doris Pelletier, A/Statistical Clerk, Telephone: (204) 983-9581 Fax: (204) 983-5524; Email: pelletierdm@agr-gc.ca
 US\$1.00=CANS1.3667 closing date May 16, 2003
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne. Grain grades are Western or Eastern Feed Wheat, No.1 Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified.
 Selling prices based on an average of prices quoted by the trade. Bulk basis. Canola Meal Protein based on minimum standard of 35% Gluten Feed 21% Protein, Gluten Meal 60% Protein. Fish Meal: white fish and/or herring meal.
 Animal fat may contain varied % of restaurant grease.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley Cash Price WCE (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

May 20, 2003

PRAIRIE GRAINS

Selected Points	Price Basis		This week 20-May-03	Last week 5-May-03	Month ago 21-Apr-03	Year ago 20-May-02
From: Thunder Bay(WCE) (2)	In-Store	Wheat	141.50	136.00	141.00	171.20
CBOT		Oat	158.75	148.25	176.00	202.69
Lethbridge		Barley	152.80	149.00	166.00	153.70
To: Bayport, ON (1)	In-store	Wheat	165.11	159.61	164.61	194.30
		Oat	N/A	N/A	N/A	N/A
		Barley	180.19	176.39	193.39	180.85
Montreal, QC (1)	In-store	Wheat	169.53	164.03	169.03	199.05
		Oat	N/A	N/A	N/A	N/A
		Barley	185.11	181.31	198.31	185.97
Moncton, NB	Truck via Halifax	Wheat	191.75	186.25	191.25	221.52
		Oat	N/A	N/A	N/A	N/A
		Barley	209.30	205.50	222.50	212.33
Truro, NS	Truck via Halifax	Wheat	185.72	180.22	185.22	219.02
		Oat	N/A	N/A	N/A	N/A
		Barley	206.80	203.00	220.00	207.45
Halifax, NS (1)	In-store	Wheat	176.78	171.28	176.28	206.35
		Oat	N/A	N/A	N/A	N/A
		Barley	193.10	189.30	206.30	193.77
Stephenville, NL	Track / Truck via Sydney	Wheat	240.13	234.63	239.63	266.13
		Oat	N/A	N/A	N/A	308.89
		Barley	N/A	N/A	N/A	260.84
Melfort, SK		Wheat	N/A	N/A	N/A	163.20
		Oat	N/A	N/A	N/A	182.07
	Track	Barley	N/A	N/A	N/A	128.90
Bayport, ON		Wheat	N/A	N/A	N/A	212.35
		Oat	N/A	N/A	N/A	238.96
	Track	Barley	N/A	N/A	N/A	178.60
Montreal, QC		Wheat	N/A	N/A	N/A	213.11
		Oat	N/A	N/A	N/A	242.68
	Track	Barley	N/A	N/A	N/A	179.42
Moncton, NB		Wheat	N/A	N/A	N/A	241.39
		Oat	N/A	N/A	N/A	266.96
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	239.58
		Oat	N/A	N/A	N/A	267.97
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	286.64
		Oat	N/A	N/A	N/A	317.25
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 20-May-03	Last week 5-May-03	Month ago 21-Apr-03	Year ago 20-May-02
Corn						
From: US Lake Port	On Board Vessel		144.06	143.06	150.44	125.67
To: Montreal, QC (1)	In-store		163.10	162.10	169.48	144.57
From: Chicago (Mi)	Track		135.45	134.10	141.28	126.90
To: Montreal, QC	Track		164.31	162.96	170.14	155.93
From: Chatham, ON	Track		157.99	156.12	159.34	138.18
To: Montreal, QC	Track		181.79	179.92	183.14	161.56

Soymeal 48% Protein

From: Hamilton, ON			262.95	263.32	262.44	300.82
To: Montreal, QC	Track		287.28	287.65	286.77	325.24
Moncton, NB	Track		306.03	306.40	305.52	348.45
Truro, NS	Track		309.25	309.62	308.74	347.28
Stephenville, NL	Track / Truck via Sydney		357.88	358.25	357.37	396.08

1. Prices include ONE month of storage and interest charges

n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Doris Pelletier, A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: pelletierdm@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

Agriculture and
Agri-Food CanadaAgriculture et
Agroalimentaire Canada

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SOUTH AMERICA: SOYBEANS

For 2002-2003, South American soybean supplies are estimated to rise due to an increase in production in Brazil, Argentina and Paraguay. With this rise in production, South America has surpassed the United States (US) as the largest soybean supplier in the world. South American soybean trade is expected to rise significantly as exports from all three countries increase. World soybean crush is expected to more than offset the rise of South American and US soybean supplies, resulting in an increase in US soybean prices in 2002-2003. Canadian soybean prices have been supported by higher US soybean prices compared to 2001-2002.

Situation

South American soybean production represents about 47% of the world's soybean output. The three largest soybean producing countries in South America are Brazil, which accounts for 57% of South American production, followed by Argentina at 40% and Paraguay at 3%. For 2002-2003 (October-September), South American soybean harvested area increased by 3.0 million hectares (Mha). Average yields increased to 2.82 tonnes per hectare (t/ha) from 2.62 t/ha in 2001-2002. As a result, South American soybean production is estimated by the United States Department of Agriculture (USDA) to have increased by 14.3 million tonnes (Mt), to 90.9 Mt for 2002-2003. Since carry-in stocks are similar to last year, South American soybean supplies increased by an estimated 19% to 93.6 Mt.

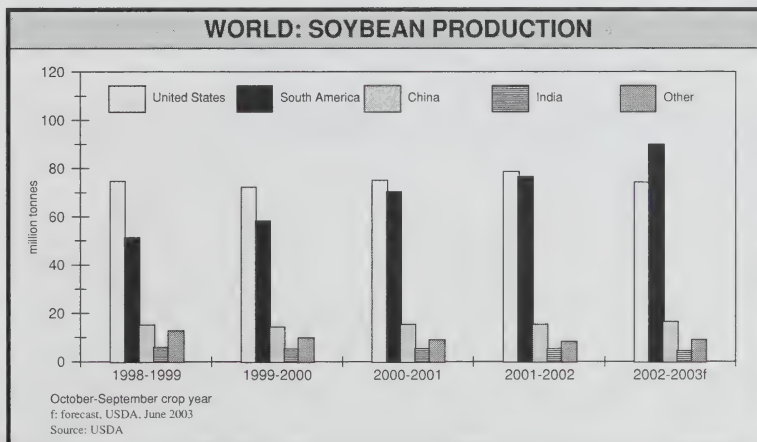
South American crush of soybeans is projected to increase slightly, to 54.8 Mt, as the rebound of soyoil and soymeal prices have supported crush margins. South American soymeal prices are being supported by strong demand and

soyoil prices continue to increase despite an increase in expected world edible oil production. South American soyoil output is expected to rise to 10.1 Mt or 33% of world soyoil production. Despite increased demand, 2002-2003 South American carry-out stocks of soybeans are estimated to be higher than last year at 1.7 Mt.

Brazil

For 2002-2003, production of soybeans in Brazil is expected to rise 17% to a record 52.0 Mt, due to an estimated

record harvested area of 18.4 Mha and record yields of 2.83 t/ha. The increased area was the result of high soybean prices, a strong US dollar and a better return relative to corn and cotton. Brazilian producers shifted less than 1% of corn area and over 3% of cotton area to soybeans, with most of the increase in area coming from pasture and new land. The three states of Mato Grosso, Parana, and Rio Grande do Sul account for about 65% of Brazilian total soybean area and production. The Brazilian soybean harvest was completed at the



SOUTH AMERICA: GENETICALLY MODIFIED (GM) SOYBEANS

Brazil has adopted provisional rules allowing the commercialization of GM soybeans for the 2002-2003 crop. Up until January 31, 2004, the Brazilian government will allow the sale of GM soybeans and will begin enforcing the existing ban on the seeding of GM soybeans in 2003-2004. Until then, producers are required to have their crop certified and labelled as either transgenic or conventional. It is estimated that in 2002-2003, about 30% of the Brazilian soybean crop is GM. In **Argentina**, GM soybeans have been approved and are popular among producers. GM soybeans are estimated to represent about 90% of the 2002-2003 crop. **Paraguay** has continued its ban on planting of GM soybeans, however producers have largely ignored the ban as transgenic soybeans reduce crop input costs between US\$30-40/t.

end of May, slightly behind the five-year average. The slower than normal harvest this season was attributed to rain delays in the west-central portion of the country.

Soybean yields have been trending upwards over the last 10 years, largely due to an increased ability to receive credit from financial institutions, allowing producers to maintain expenditures on effective crop inputs. Fertilizer sales in 2002-2003 have risen 13% above last year, due to the increase in area and fertilizer use. As pasture land is converted to soybean area, lime use has increased to neutralize the highly acidic soil and create viable cropland. A two-year term government credit is available up to R200,000 (US\$57,100) for soybean producers in west central and northern regions of the country and R150,000 (US\$43,000) for all other soybean producing areas at an interest rate of 8.75% per year.

As long as world soybean prices remain relatively strong and the exchange rate continues at about three Brazilian *real* to the US dollar, pasture and new land will continue to be brought under soybean production. Even if Chicago soybean prices were to fall to US\$4 per bushel, as long as the Brazilian *real* does not appreciate more than 10-15% against the US dollar, soybean area will continue to rise over the short term.

Brazilian supplies of soybeans are estimated to have increased 19% to 53.5 Mt, as marginally higher carry-in stocks combine with a rise in production. Imports, largely from Paraguay, are expected to fall marginally due to the rise in Brazilian soybean production. Exports are estimated to increase 4.4 Mt, to 20.6 Mt, due to the relative value of the *real* against the US dollar and the exemption of soybeans and soybean products from export taxation. The European Union (EU), specifically Netherlands and Germany, and China,

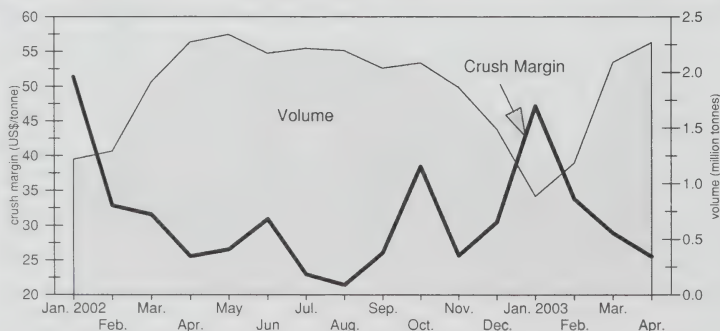
are Brazil's primary soybean markets accounting for about 55% and 25% of exports, respectively. Brazilian crushing of soybeans is also estimated to increase by 13% to 29.1 Mt. Carry-out stocks are estimated to rise to 1.0 Mt, significantly higher than 2001-2002.

Brazilian on-farm storage capacity is very small at 2.5 Mt, and as a result, cooperatives, private sector crushers and exporters handle the remainder of the storage. On-farm storage capacity, however, is increasing as larger producers invest capital. This may lead to a rise in carry-out stocks as soybean producers are less likely to deliver uncontracted soybeans to crushers when prices are less than optimal.

Current domestic crush capacity is 111,000 t/day, with 60% located in the states from Sao Paulo southward, but these states only account for about 45% of Brazilian soybean production. The central west states represent 27% of the crush capacity and 47% of the crop production. The industry shift to new production areas is slowly taking place, but because traditional production has taken place in the south, the south has better infrastructure and is closer to ports.

Infrastructure development continues to be critical to the growth of Brazilian agriculture. Due to the lack of nutrients in the soils in the central states of Brazil, crop inputs must be transported to the production areas. At the same time, soybeans grown in this area must be trucked more than 1,500 miles to reach an export point.

BRAZIL: SOYBEAN CRUSH MARGIN VERSUS VOLUME



Exchange rate: R3 = US\$1

Source: Associação Brasileira das Indústrias de Oleos Vegetais (ABIOVE)

CANADA AND BRAZIL: 2002-2003 SOYBEAN CROP BUDGET COMPARISON

	Canada ^{1/}	Brazil
	.....CAN\$/ha	
Seed ^{2/}	83.36	33.55
Fertilizer	28.41	72.27
Chemicals	105.47	80.26
Fuel	29.64	11.37
Repairs	40.76	2.61
Crop Insurance	26.18	13.02
Interest	7.90	14.21
Other	<u>1.89</u>	<u>68.05</u>
Total Variable Costs	323.61	295.34
Yield (t/ha)	2.28	2.83

^{1/} Ontario soybeans 2002-2003 crop budget

^{2/} includes treatment costs

Exchange rate: R1.9 = CAN\$1

Source: USDA, AAFC

Soybeans have traditionally been moved by truck in Brazil on a system of roads consisting of highways to mud roads. Privatization of major roads has increased the number of paved roads but this also has increased road tolls. As a result, truck freight costs have risen. The traditional single 27 tonne straight bed trailer has been replaced by double trailers that can carry about 40 t. However, the truck system has not been able to handle the increase in soybean production. As a result, the use of waterways and rail to transport soybeans to port location is expected to increase in the short term. Currently, 60% of soybeans are moved by truck, 33% by rail and 7% by water.

The only tariffs Brazil applies are the common Mercosur external tariff of zero for soybean seed, 9.5% for soybeans for crushing, 11.5% for crude soyoil, 13.5% for refined soyoil and 7.5% for soymeal. As a member of the Mercosur, Brazil applies no tariffs to imports from Paraguay, Argentina, and Uruguay.

Argentina

For 2002-2003, harvested area increased slightly to 12.3 Mha as

sufficient capital has allowed Argentine producers to take advantage of the prospect of good returns to increase seeded area. Argentina's main soy region stretches from eastern Cordoba province to central and southern Santa Fe and northern Buenos Aires provinces and represents 40% of total soybean area. Yields are estimated to have increased to 2.85 t/ha as higher yields from greater first crop soybeans are expected to be more than offset by increased seeding in marginal soybean areas.

Corn production has the potential for higher returns compared to soybeans. However, the lower cost of production and reduced risk of production has influenced producers to plant soybeans. Argentine producers have made up for a lack of credit and financing by cashing in some of last year's crop that was held back and stored on-farm. Crop input credit is being purchased by using next year's crop as collateral. As a result, Argentine soybean production is estimated to rise to a record 35.0 Mt, up from the 30.0 Mt estimated for 2001-2002.

Exports are forecast to rise by 56% to 9.6 Mt and domestic processing is projected to increase by 11% to 24.6 Mt. Since 1995-96, Argentina has become the world's largest exporter of soymeal and soyoil and is expected to make up 39% and 42% of the world trade in the two commodities respectively for 2002-2003. The

major soymeal markets are the EU, Poland, Malaysia, and Egypt, while the major soyoil markets are the EU, India, and China. The expansion in meal and oil exports is a result of differential taxes favouring the export of soy products over raw seed. After being tied to the US dollar at an exchange rate of 1 *peso* equal to 1 US dollar for 10 years, in January of 2002 the Argentine *peso* was delinked and the subsequent devaluation of the *peso* has made production of soybeans more profitable.

For 2002-2003, soymeal production, exports and domestic use are each expected to rise about 10% above last year. Carry-out stocks are forecast to increase to 0.4 Mt, the highest since 1999-2000. For soyoil, production and exports are forecast to increase by 10% but domestic consumption is expected to rise marginally. Carry-out stocks are projected to increase marginally to 0.1 Mt.

Paraguay

Soybean production is concentrated in southeast Paraguay, mostly on large, mechanized farms. For 2002-2003, production of soybeans in Paraguay is expected to increase 25% to 3.9 Mt due to an improvement in yields compared to

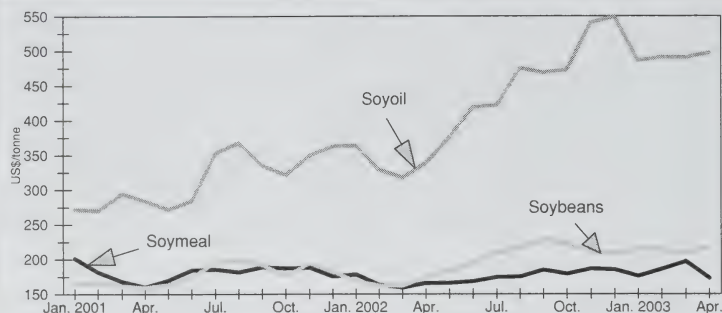
SOUTH AMERICA: SOYBEAN SUPPLY AND DISPOSITION

February-January crop year	1999 -2000	2000 -2001	2001 -2002	2002 -2003f
Harvested Area (Mha)	23.5	25.6	29.2	32.2
	.....million tonnes.....			
Carry-in Stocks	0.8	0.6	0.5	1.4
Production	58.3	70.3	76.6	90.9
Imports	<u>1.2</u>	<u>1.3</u>	<u>1.5</u>	<u>1.3</u>
Total Supply	60.3	72.2	78.6	93.6
Crush	38.8	42.7	49.0	54.8
Exports	18.0	25.6	24.5	32.6
Other	<u>2.9</u>	<u>3.4</u>	<u>3.7</u>	<u>4.5</u>
Total Use	59.7	71.7	77.2	91.9
Carry-out Stocks	0.6	0.5	1.4	1.7

f: forecast, USDA, June 2003

Source: USDA

BRAZIL: SOYBEAN AND SOYBEAN PRODUCT PRICES



Exchange rate: R3 = US\$1

FOB Paranaguá

Source: Associação Brasileira das Indústrias de Óleos Vegetais (ABIOVE)

2001-2002, as harvested area remained relatively unchanged. As a result, exports are forecast to rise from 2.1 Mt to 2.8 Mt and domestic crush is projected to increase slightly to 1.1 Mt. Domestic crush capacity has increased the last few years to about 30% of production due to renovations to processing facilities. Brazil is the main market for Paraguay's soybean exports, followed by the EU and Japan by way of ports in Brazil and Argentina.

Paraguay has no export taxes and the only tariffs it applies are the common Mercosur external tariff.

Prices

Growing world demand for soybeans, and soybean products, has supported prices despite the rapid increase in South American production. Soybean demand was stimulated in 2000-2001 by a total EU ban on the use of meat and bone meal and related products in livestock and poultry feed. In 2001-2002, Asia increased its consumption of soybeans for the same reason. These foreign government actions caused a shift from animal-based protein feeds to soybean feed. World soybean carry-out stocks are forecast to tighten, largely in the US, and US prices have

strengthened in 2002-2003. As a result, Canadian soybean prices have increased to CAN\$310 per tonne (/t) in-store Chatham, up CAN\$41/t from 2001-2002.

OUTLOOK

South American seeded area to soybeans is projected to rise slightly in the short-term. In Brazil, the area seeded to soybeans is expected to increase by about 0.3 Mha to around 19.2 Mha for 2003-2004 as domestic prices and continued application of newer technology encourage a rise in soybean area. This includes newer farm equipment and seed development through plant genetics. For Argentina and Paraguay, soybean seeded area is forecast to increase slightly due to supportive prices.

South American soybean production is forecast to rise slightly as higher yields complement the increase in seeded area. As a result, soybean supplies are forecast to increase as higher production is expected to offset a marginal decrease in carry-in stocks.

Soybean crush is projected to rise in 2003-2004 in Brazil and Argentina. The

Paraguayan crush is forecast to remain similar to this year.

Soyoil production in South America is forecast to increase for 2003-2004, and pressure prices, due to the increase in crushing volumes. For 2003-2004, Canadian soybean prices are forecast to fall due to lower US soybean prices, related to higher US and South American production, and the appreciation of the Canadian dollar.

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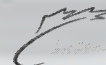
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CANADA: GRAINS AND OILSEEDS OUTLOOK

June 10, 2003

For 2003-04, total production of grains and oilseeds in Canada is forecast by AAFC to increase to 61 million tonnes (Mt) from 42 Mt in 2002-03, based on Statistics Canada's March seeding intentions survey and assumptions of near-normal yields and abandonment rates. Despite delays in seeding in Saskatchewan and Alberta, due to cool wet weather, seeding is virtually complete. It is assumed that precipitation will be normal for the summer. Although soil moisture reserves in western Canada are significantly better than a year ago, there are some dry areas in northern Alberta, northern Saskatchewan and in Manitoba. In western Canada, production is forecast to increase to 45.7 Mt from 27.4 Mt in 2002-03. In eastern Canada, production is forecast to increase to 15.4 Mt from 14.4 Mt in 2002-03. Total Canadian supplies are forecast to increase considerably as higher production more than offsets low carry-in stocks. Total exports are forecast to increase to 24 Mt from 15 Mt expected for 2002-03. In general, prices for grains and oilseeds in Canada are expected to decline due to lower world prices and appreciation of the Canadian dollar. It has been assumed that the temporary trade disruptions affecting the cattle and beef sector, related to the single case of bovine spongiform encephalopathy (BSE) in Alberta, will be short-lived and that the impacts on feed demand will not be significant for 2003-04. The export ban is expected to increase domestic feed use for 2002-03, due to the backlog of cattle in Canada, and reduce carry-in stocks of corn and barley for 2003-04.

Average world grain and oilseed prices for 2003-04 are expected to decline from the 2002-03 level due to higher US and world production. For most major crops, domestic support programs in the US and EU are expected to continue to encourage high production, which will pressure prices. The major factors to watch are growing conditions in the major importing and exporting regions, Canada/US trade issues, the level of EU export subsidies, exports from Ukraine and Russia, import demand from China and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2003-04, production is forecast to increase by 64% from 2002-03 because of lower abandonment and higher yields. Due to lower carry-in stocks, supplies are expected to rise by just 37%. Exports are forecast to increase by 95%, to 12.1 Mt, well-below the 10-year average of 15 Mt. Feed use is expected to fall slightly, assuming a return to a normal grade distribution, which will result in reduced supplies of lower quality wheat. Carry-out stocks are forecast to rise by 11%, to 4.2 Mt, but remain well below the 10-year average of 6.4 Mt. The Canadian Wheat Board (CWB) May 2003-04 Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$190/t, in-store Vancouver/St. Lawrence, \$53/t below the 2002-03 PRO. Ontario winter wheat production is forecast to rise by 72% to a record 2.0 Mt, due to a record seeded area. Ontario Wheat Producers' Marketing Board pool returns for No.1 CEWW wheat are projected by AAFC at \$130-140/t, terminal or processor position, about 10% lower than in 2002-03.

DURUM

Production is forecast to increase by 35% due to higher expected harvested area and improved yields. This will be partly offset by a 9% drop in carry-in stocks, so that supplies will rise by only 22%, to 6.4 Mt, close to the 5-year average. Exports, however, are forecast to increase by only 10%, to an historically low level of 3.2 Mt, due to weak world demand for durum wheat largely resulting from good crops in North Africa. Carry-out stocks are projected to increase by 57%, to 2.2 Mt, vs. the 10-year average of 1.8 Mt. The CWB PRO for No.1 CWAD 11.5% protein is \$202/t I/S VC/SL, \$61/t below the 2002-03 PRO. The premium for No.1 CWAD 11.5% over No.1 CWRS 11.5% is forecast at \$12/t, the lowest since 1992-93, compared to \$20/t for 2002-03.

BARLEY

Production is forecast to increase by 82% due to higher expected harvested area, improved yields and lower abandonment. Supplies are expected to rise by 53%. Exports of malting barley are expected to increase significantly while feed barley exports remain historically low, although higher than 2002-03. Feed use is expected to increase significantly as barley supplies displace imports of US corn in western Canada. Carry-out stocks are forecast to remain low, although higher than 2002-03. Off-Board feed barley prices are expected to decrease sharply. The CWB PRO for No.1 CW Feed Barley is \$123/t vs the 2002-03 PRO of \$162/t. The CWB PRO for Special Select Two Row designated barley is \$198/t vs the 2002-03 PRO of \$246/t, largely due to increased supplies in North America and Australia.

OATS

Production is forecast to increase by about 40% due to higher expected harvested area, improved yields and lower abandonment. Supplies are expected to increase by 34%. Exports, mainly to the US, are expected to increase significantly due to the larger supplies. Carry-out stocks are expected to rise. Prices are forecast to fall sharply, largely due to increased production in Canada and the US. The premium for oats, relative to corn is expected to fall significantly.

CORN

Production is forecast to increase slightly due to higher yields. Imports are expected to fall by about 53% to 2.0 Mt, mainly due to higher barley production in western Canada. Feed use of corn is also expected to decline, as a result of larger supplies of barley in western Canada. Carry-out stocks are forecast to decrease. Chatham corn prices are forecast to decrease by about 17% due to lower US corn prices and the appreciation of the Canadian dollar.

CANOLA

Production is expected to rise by 65% due to higher expected harvested area and yields. Supplies are forecast to increase by only 30% due to low carry-in stocks. Domestic crush and exports are expected to increase by 19% and 36%, respectively. Carry-out stocks are forecast to increase from 2002-03 but remain low. The average price is expected to fall due to higher Canadian and world canola/rapeseed production and a stronger Canadian dollar.

FLAXSEED (excluding solin)

Production is expected to increase by 35%, due to higher expected harvested area and yields. Supplies are forecast to rise by only 13% due to low carry-in stocks. Exports are forecast to increase slightly. Carry-out stocks are expected to increase significantly, pressuring average prices.

SOYBEANS

Production is forecast to increase by 7% as higher yields more than offset lower area harvested. Supplies are expected to rise by 5%. Domestic crush is expected to be unchanged while exports rise by 33% due to higher supplies. Prices are forecast to fall due to lower US soybean prices related to higher US and South American production and the appreciation of the Canadian dollar.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

June 10, 2003

Grain and Crop Year	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use	Feed, Waste & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----											
Durum											
2001-2002	2,036	1.47	2,987	12	5,872	3,628	249	213	699	1,545	260.43
2002-2003f	2,185	1.70	3,714	10	5,269	2,900	280	459	969	1,400	263 *
2003-2004f	2,325	2.16	5,020	10	6,430	3,200	280	530	1,030	2,200	202 *
Wheat Except Durum											
2001-2002	8,550	2.06	17,581	85	24,459	12,578	2,792	3,293	6,877	5,004	207.16
2002-2003f	6,428	1.86	11,976	200	17,180	6,200	2,835	3,545	7,180	3,800	243 *
2003-2004f	8,000	2.45	19,625	50	23,475	12,100	2,865	3,475	7,175	4,200	190 *
All Wheat											
2001-2002	10,585	1.94	20,568	97	30,331	16,206	3,041	3,506	7,576	6,549	
2002-2003f	8,613	1.82	15,690	210	22,449	9,100	3,115	4,004	8,149	5,200	
2003-2004f	10,325	2.39	24,645	60	29,905	15,300	3,145	4,005	8,205	6,400	
Barley											
2001-2002	4,150	2.61	10,846	112	13,473	1,772	306	9,048	9,803	1,898	158.60
2002-2003f	3,267	2.23	7,283	280	9,461	700	275	6,851	7,581	1,180	170-180
2003-2004f	4,522	2.94	13,280	40	14,500	2,400	300	9,565	10,320	1,780	110-140
Corn											
2001-2002	1,267	6.62	8,389	3,844	13,113	193	2,285	9,544	11,864	1,056	132.90
2002-2003f	1,288	7.04	9,065	4,300	14,421	250	2,425	10,611	13,071	1,100	145-155
2003-2004f	1,286	7.22	9,285	2,000	12,385	300	2,600	8,550	11,185	900	110-140
Oats											
2001-2002	1,238	2.17	2,691	53	3,598	1,409	147	1,479	1,826	363	202.19
2002-2003f	1,298	2.12	2,749	15	3,127	1,200	150	1,209	1,577	350	200-210
2003-2004f	1,576	2.44	3,840	5	4,195	1,725	150	1,611	1,970	500	115-145
Rye											
2001-2002	123	1.85	228	4	309	62	39	144	198	49	
2002-2003f	77	1.74	134	5	188	45	38	57	113	30	
2003-2004f	133	2.18	290	5	325	80	47	140	205	40	
Mixed Grains											
2001-2002	159	2.80	447	0	447	0	0	447	447	0	
2002-2003f	132	2.72	359	0	359	0	0	359	359	0	
2003-2004f	156	2.85	445	0	445	0	0	445	445	0	
Total Coarse Grains											
2001-2002	6,937	3.26	22,600	4,013	30,939	3,436	2,777	20,662	24,138	3,365	
2002-2003f	6,062	3.23	19,589	4,600	27,555	2,195	2,888	19,087	22,701	2,659	
2003-2004f	7,672	3.54	27,140	2,050	31,849	4,505	3,097	20,311	24,125	3,219	
Canola											
2001-2002	3,765	1.31	4,926	226	6,240	2,524	2,293	188	2,516	1,200	357.45
2002-2003f	2,857	1.25	3,577	225	5,002	2,200	2,100	197	2,342	460	410-425
2003-2004f	4,296	1.37	5,880	200	6,540	3,000	2,500	335	2,880	660	345-375
Flaxseed excluding Solin											
2001-2002	662	1.08	715	24	998	618	n/a	n/a	205	175	319.77
2002-2003f	633	1.07	679	23	877	612	n/a	n/a	200	65	410-425
2003-2004f	719	1.27	915	15	995	625	n/a	n/a	210	160	335-365
Soybeans											
2001-2002	1,069	1.53	1,635	982	2,803	501	n/a	n/a	2,129	173	269.01
2002-2003f	1,024	2.28	2,335	552	3,060	600	n/a	n/a	2,300	160	300-320
2003-2004f	962	2.60	2,500	550	3,210	800	n/a	n/a	2,230	180	265-295
Total Oilseeds											
2001-2002	5,495	1.32	7,277	1,233	10,041	3,643	n/a	n/a	4,850	1,548	
2002-2003f	4,514	1.46	6,591	800	8,939	3,412	n/a	n/a	4,842	685	
2003-2004f	5,976	1.56	9,295	765	10,745	4,425	n/a	n/a	5,320	1,000	
Total Grains and Oilseeds											
2001-2002	23,018	2.19	50,444	5,343	71,311	23,285	n/a	n/a	36,564	11,462	
2002-2003f	19,189	2.18	41,870	5,610	58,942	14,707	n/a	n/a	35,692	8,544	
2003-2004f	23,974	2.55	61,080	2,875	72,499	24,230	n/a	n/a	37,650	10,619	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use. For flaxseed and soybeans, food/industrial use and feed/waste/dockage are included in the total domestic use, but are not reported due to data confidentiality.

(e) Crop year average prices: No.1 CWRS 11.5% and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* May 2003 CWB Pool Return Outlook (PRO).

f: Agriculture and Agri-Food Canada forecast, June 10, 2003

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

June 10, 2003

Area seeded to pulse and special crops for 2003-04 in Canada is forecast to decrease by 7%, as a higher seeded area for mustard seed and sunflower seed is more than offset by a lower area for lentils, dry beans, chick peas, canary seed and buckwheat. The area seeded to dry peas is forecast to be similar to 2002-03. Statistics Canada's (STC) seeding intentions survey, conducted during March 21-28 and released on April 24, provided estimates of areas seeded for most of the pulse and special crops by province but, in some cases, the area seeded has been forecast by AAFC. The actual seeded area may differ due to changes in market outlook, expected prices, spring weather conditions, as well as producer reaction to the STC seeding intentions report. Although seeding is nearly complete, the STC seeded area estimate will not be available until June 26, 2003. Seeding was significantly later than normal, due to cool and wet weather, in Saskatchewan and Alberta, where most of Canada's pulse and special crops are produced. It is assumed that precipitation will be normal for the summer. Although soil moisture reserves in western Canada are significantly better than a year ago, there are some dry areas in northern Alberta, northern Saskatchewan and in Manitoba. Yields are forecast to be slightly below trend, due to the dry areas and delayed seeding, but significantly higher than in 2002-03. For eastern Canada, trend yields are assumed. It has been assumed that abandonment will return to normal, so that the harvested area for most crops is expected to increase from 2002-03. It has also been assumed that the average crop quality will return to normal.

For 2003-04, total pulse and special crops production is forecast to increase by 52%, compared to 2002-03, to 4.23 million tonnes (Mt). Total supply is expected to increase by only 29% because of lower carry-in stocks. Total exports and domestic use are forecast to increase due to the higher supply and strong demand, resulting in moderately higher carry-out stocks. Average prices, over all grades and markets, are forecast to increase from 2002-03 for dry beans, chick peas and buckwheat, decrease for dry peas, lentils, mustard seed and canary seed, and be the same for sunflower seed. However, prices are expected to be very sensitive to any production problems due to low world carry-in stocks. The main factors to watch will be precipitation during the summer in Canada, the exchange rate of the Canadian dollar against the US dollar and other currencies, and growing conditions in major producing countries.

DRY PEAS

For 2003-04, production and supply are forecast to increase significantly, with a stable seeded area, lower abandonment and higher yields. Production is expected to increase for yellow, green and other types. World supply is expected to increase by 14% to 11.7 Mt, but this is expected to be mostly offset by higher consumption, especially for livestock feed. Canadian exports and domestic use are forecast to increase, with a larger portion going into the feed market. Carry-out stocks are forecast to increase with a stocks-to-use (s/u) ratio of 10%. The average price, over all types, grades and markets, is forecast to decrease due to the higher world supply.

LENTILS

Production and supply are forecast to increase significantly, as a 15% decrease in seeded area is more than offset by lower abandonment and higher yields. Production is expected to increase for large, medium and small green, red and other types. World supply is expected to increase slightly to 3.3 Mt. Canadian exports are expected to increase, as Canada's share of world supply increases. Carry-out stocks are forecast to remain low. The average price, over all types and grades, is forecast to decrease due to the higher supply.

DRY BEANS

Production and supply are forecast to decrease significantly, due mainly to a 28% decrease in seeded area. Production is expected to decrease for all major classes of dry beans. Exports are forecast to decrease, due to lower supply, and carry-out stocks are expected to decrease to a low level. US production and supply are also expected to decrease due to a forecast 21% decrease in seeded area. The average price, over

all classes and grades, is forecast to increase due to the lower supply.

CHICK PEAS

Production is forecast to increase slightly, as a 35% decrease in seeded area is offset by lower abandonment and higher yields. Production is expected to increase for the desi type, but decrease for the large and small kabuli types. However, supply is forecast to decrease sharply due to lower carry-in stocks. World supply is expected to increase by 5% to 7.87 Mt. Canadian exports are forecast to decrease due to lower supply. Carry-out stocks are forecast to decrease to a low level. The average price, over all types, sizes and grades, is forecast to increase due to expected higher quality.

MUSTARD SEED

Production and supply are forecast to increase significantly due to a 10% increase in seeded area, lower abandonment and higher yields. Production is expected to increase for all types, yellow, brown and oriental. Exports are expected to increase because of the higher supply. Carry-out stocks are forecast to increase, with a s/u ratio of 32%. The average price, over all types and grades, is forecast to decrease because of higher supply.

CANARY SEED

Production and supply are forecast to increase significantly, as a 6% decrease in seeded area is more than offset by lower abandonment and higher yields. World supply is forecast to increase by 26% to 310,000 t. Canadian exports are expected to increase, because of the higher supply. Carry-out stocks are forecast to increase, with a stocks-to-use ratio of 25%. The average price is forecast to decrease because of increased supply.

SUNFLOWER SEED

Production and supply are forecast to increase moderately due to a 19% increase in seeded area. Production is expected to increase for both types, confectionary and oilseed. World supply is expected to increase by 2% to 24.8 Mt, due to higher production of the oilseed type. Total US and Canadian supply of the confectionary type is expected to decrease, while the total supply of the oilseed type increases. Canadian exports and domestic use are expected to increase due to the higher supply and strong demand. Carry-out stocks are forecast to increase slightly, with a s/u ratio of 13%. Lower total US and Canadian supply is expected to support prices for the confectionary type, while higher world supply is expected to pressure prices for the oilseed type. The average price, over both types and all grades, is forecast to be the same as in 2002-03.

BUCKWHEAT

Production is forecast to remain stable, as a 10% drop in seeded area is offset by higher yields. Supply is expected to decrease due to lower carry-in stocks. World supply is forecast to decrease by 9% to 2.56 Mt. Canadian exports and domestic use are forecast to remain stable, and stocks are forecast to decrease to a low level. The average price, over all grades and markets, is forecast to increase slightly due to the lower supply.

FURTHER INFORMATION:

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LAMAD/OUTLOOK/S&D/SpCrops/2003/jun2003/3ce.wpd

CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

June 10, 2003

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----									
Dry Peas									
1999-2000	835	2.70	2,252	12	2,639	1,417	822	400	135
2000-2001	1,220	2.35	2,864	12	3,276	2,196	885	195	138
2001-2002	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003f	1,050	1.30	1,365	35	1,675	1,000	575	100	210-230
2003-2004f	1,250	2.02	2,520	25	2,645	1,600	795	250	150-180
Lentils									
1999-2000	497	1.46	724	10	794	503	211	80	380
2000-2001	688	1.33	914	5	999	475	268	256	295
2001-2002	664	0.85	566	6	828	478	219	131	320
2002-2003f	387	0.91	354	8	493	340	143	10	390-410
2003-2004f	497	1.17	580	5	595	420	165	10	370-400
Dry Beans									
1999-2000	154	1.91	294	41	360	260	60	40	500
2000-2001	162	1.65	268	40	348	227	71	50	465
2001-2002	175	1.70	298	42	390	263	97	30	725
2002-2003f	219	1.89	414	30	474	305	114	55	450-470
2003-2004f	160	1.72	275	35	365	265	90	10	530-560
Chick Peas									
1999-2000	139	1.42	197	5	207	56	136	15	390
2000-2001	283	1.37	388	5	408	179	199	30	410
2001-2002	467	0.97	455	12	497	147	210	140	380
2002-2003f	154	1.01	156	10	306	150	136	20	305-325
2003-2004f	136	1.21	165	15	200	105	85	10	345-375
Mustard Seed									
1999-2000	273	1.12	306	1	357	170	72	115	285
2000-2001	208	0.97	202	1	318	151	62	105	280
2001-2002	158	0.66	105	3	213	171	9	33	685
2002-2003f	255	0.60	154	9	196	150	26	20	620-640
2003-2004f	312	0.85	265	3	288	170	48	70	410-440
Canary Seed									
1999-2000	146	1.14	166	0	276	157	29	90	240
2000-2001	164	1.04	171	0	261	170	21	70	265
2001-2002	163	0.70	114	0	184	134	20	30	660
2002-2003f	214	0.77	164	0	194	150	29	15	585-605
2003-2004f	250	0.94	235	0	250	160	40	50	315-345
Sunflower Seed									
1999-2000	79	1.54	122	19	145	49	55	41	295
2000-2001	69	1.72	119	18	178	77	55	46	320
2001-2002	67	1.55	104	30	180	92	66	22	355
2002-2003f	95	1.65	157	20	199	105	74	20	430-450
2003-2004f	113	1.59	180	15	215	110	80	25	425-455
Buckwheat									
1999-2000	13	1.00	13	1	16	8	7	1	305
2000-2001	15	0.93	14	1	16	9	7	0	305
2001-2002	14	1.14	16	1	17	6	8	3	325
2002-2003f	12	1.00	12	1	16	7	7	2	330-350
2003-2004f	11	1.09	12	1	15	7	7	1	330-360
Total Pulse And Special Crops(c)									
1999-2000	2,136	1.91	4,074	89	4,794	2,620	1,392	782	
2000-2001	2,809	1.76	4,940	82	5,804	3,484	1,568	752	
2001-2002	2,993	1.23	3,681	121	4,554	2,669	1,221	664	
2002-2003f	2,386	1.16	2,776	113	3,553	2,207	1,104	242	
2003-2004f	2,729	1.55	4,232	99	4,573	2,837	1,310	426	

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, June 10, 2003

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

June 2, 2003

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	June 2, 2003	FOB	228.16	N/A	165.00	174.00		333.50	205.00	143.00	240.00	900.00	490.00					370.00
BC (4) (7)	May 26, 2003	FOB	228.16	N/A	160.00	174.00		342.00	205.00	143.00	290.00	900.00	510.00					390.00
Calgary	June 2, 2003	FOB	180.00	N/A	160.00	166.00		326.00	N/A		200.00	950.00	525.00					370.00
AB (4)	May 26, 2003	FOB	185.00	N/A	165.00	167.00		329.00	N/A		275.00	950.00	575.00					390.00
Saskatoon	June 2, 2003	FOB	182.50	180.00	140.00	174.00		316.67	235.00		200.00	N/A	525.00			171.00		420.00
SK (4)	May 26, 2003	FOB	185.00	185.00	153.50	174.00		324.00	235.00		275.00	N/A	575.00			171.67		440.00
Melfort	June 2, 2003	FOB																
SK	May 26, 2003	FOB	168.50	200.00	156.00	149.00		303.00	235.00		290.00	925.00	480.00					430.00
Winnipeg	June 2, 2003	FOB	172.00	200.00	156.50	152.00		316.50	235.00		300.00	925.00	480.00					430.00
MB (4) (9)	May 26, 2003	In-Store	179.00	N/A	160.00													
Thunder Bay	June 2, 2003	In-Store	177.50	N/A	152.00													
ON (8)	May 26, 2003	On Board				143.68												
Lake Ports	June 2, 2003	Vessel				143.57												
USA (3)	May 26, 2003	In-Store	216.50	285.00	N/A													
Bay Ports	June 2, 2003	In-Store	204.50	285.00	N/A													
ON	May 26, 2003	Track				156.00												
Chatham	June 2, 2003	N/A				156.00												
ON	May 26, 2003	N/A																
Toronto	June 2, 2003	N/A																
ON (5)	May 26, 2003	N/A																
Hamilton	June 2, 2003	FOB				160.12		322.53	N/A		290.67	N/A	470.00					350.00
ON	May 26, 2003	FOB				160.12		322.53	N/A		298.00	N/A	470.00					350.00
Eastern	June 2, 2003	FOB																
ON	May 26, 2003	FOB																
London	June 2, 2003	FOB																
ON	May 26, 2003	FOB																
Port Colborne	June 2, 2003	FOB																
ON	May 26, 2003	FOB																
Cardinal	June 2, 2003	FOB																
ON	May 26, 2003	FOB																
Montreal	June 2, 2003	In-Store	214.50	N/A	N/A	N/A		328.63	236.35	120.33	287.00	850.00	386.00					340.00
QC (5)	May 26, 2003	In-Store	206.00	N/A	N/A	N/A		329.15	237.12	123.00	298.00	850.00	386.00					350.00
Trois-Rivières	June 2, 2003	FOB	194.68	216.89	161.27	159.31		335.63										
QC	May 26, 2003	FOB	192.50	219.71	158.00	160.95		329.50										
St. Jean QC (2)	June 2, 2003	In-Store	193.25	N/A	190.72	163.49		326.28										
St. Hyacinthe QC	June 2, 2003	Track	188.00	N/A	182.18	164.67		329.88										
Quebec	May 26, 2003	Track	233.33	230.00	210.07	198.04		342.53	277.80									
QC	June 2, 2003	Water	226.28	230.00	203.77	200.06		352.32	279.29									
Truro	May 26, 2003	Water	N/A	N/A	N/A	197.00												
NS	June 2, 2003	Water	N/A	N/A	N/A	194.50												
Truro	May 26, 2003	Truck	N/A	N/A	N/A	188.00												
NS	June 2, 2003	In-Store	N/A	N/A	N/A	185.50												
Halifax	May 26, 2003	N/A																
NS (6)	May 26, 2003	N/A																

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
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US\$1.00=CAN\$1.3708, closing date June 2, 2003
N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats, No.1 Canada Western or Eastern Barley, No.3 Canada Yellow Corn, No.3 US Yellow Corn.
Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWSR (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley Cash Price WCE (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

June 2, 2003

PRAIRIE GRAINS

Selected Points	Price Basis		This week 2-Jun-03	Last week 26-May-03	Month ago 5-May-03	Year ago 3-Jun-02
From: Thunder Bay(WCE) (2)	In-Store	Wheat	146.50	141.50	136.00	187.50
CBOT		Oat	147.75	158.75	148.25	231.52
Lethbridge		Barley	151.00	152.80	149.00	160.00
To: Bayport, ON (1)	In-store	Wheat	170.11	165.11	159.61	210.60
		Oat	N/A	N/A	N/A	N/A
		Barley	178.39	180.19	176.39	187.39
Montreal, QC (1)	In-store	Wheat	174.53	169.53	164.03	215.53
		Oat	N/A	N/A	N/A	N/A
		Barley	183.31	185.11	181.31	192.31
Moncton, NB	Truck via Halifax	Wheat	196.75	191.75	186.25	237.75
		Oat	N/A	N/A	N/A	N/A
		Barley	207.50	209.30	205.50	216.50
Truro, NS	Truck via Halifax	Wheat	190.72	185.72	180.22	231.72
		Oat	N/A	N/A	N/A	N/A
		Barley	205.00	206.80	203.00	214.00
Halifax, NS (1)	In-store	Wheat	181.78	176.78	171.28	222.78
		Oat	N/A	N/A	N/A	N/A
		Barley	191.30	193.10	189.30	200.30
Stephenville, NL	Track / Truck via Sydney	Wheat	245.13	240.13	234.63	286.13
		Oat	N/A	N/A	N/A	337.72
		Barley	N/A	N/A	N/A	267.14
Melfort, SK		Wheat	N/A	N/A	N/A	179.50
		Oat	N/A	N/A	N/A	210.99
	Track	Barley	N/A	N/A	N/A	144.10
Bayport, ON		Wheat	N/A	N/A	N/A	228.65
		Oat	N/A	N/A	N/A	267.88
	Track	Barley	N/A	N/A	N/A	193.80
Montreal, QC		Wheat	N/A	N/A	N/A	229.41
		Oat	N/A	N/A	N/A	271.60
	Track	Barley	N/A	N/A	N/A	194.62
Moncton, NB		Wheat	N/A	N/A	N/A	257.69
		Oat	N/A	N/A	N/A	295.88
	Track	Barley	N/A	N/A	N/A	
Truro, NS		Wheat	N/A	N/A	N/A	255.88
		Oat	N/A	N/A	N/A	296.89
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	302.94
		Oat	N/A	N/A	N/A	346.17
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 2-Jun-03	Last week 26-May-03	Month ago 5-May-03	Year ago 3-Jun-02
Corn						
From: US Lake Port	On Board Vessel		143.68	143.57	143.06	135.30
To: Montreal, QC (1)	In-store		162.72	162.61	162.10	154.20
From: Chicago (Mi)	Track		135.05	134.90	134.10	134.10
To: Montreal, QC	Track		163.91	163.76	162.96	163.13
From: Chatham, ON	Track		156.00	156.00	156.12	144.09
To: Montreal, QC	Track		179.80	179.80	179.92	167.47

Soymeal 48% Protein

From: Hamilton, ON			322.53	322.53	333.45	312.72
To: Montreal, QC	Track		346.86	346.86	357.78	337.14
Moncton, NB	Track		365.61	365.61	376.53	360.35
Truro, NS	Track		368.83	368.83	379.75	359.18
Stephenville, NL	Track / Truck via Sydney		417.46	417.46	428.38	407.98

1. Prices include ONE month of storage and interest charges
2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

n/a = not available

Source: Market Analysis Division, Agriculture and Agri-Food Canada

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Footnotes: All prices quoted in Canadian dollars per metric tonne. Grain grades are Canada Western Feed Wheat, No.1 Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn unless otherwise specified.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

June 16, 2003

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver (4) (7)	June 16, 2003	FOB	228.16	N/A	160.00	168.91			320.50	204.00	145.00	240.00	900.00	470.00					370.00
BC	June 9, 2003	FOB	228.16	N/A	160.00	171.00			331.50	211.00	144.00	240.00	900.00	470.00					370.00
Calgary	June 16, 2003	FOB	180.00	N/A	160.00	160.00			315.50	N/A		200.00	950.00	505.00					370.00
AB	June 9, 2003	FOB	180.00	N/A	160.00	160.00			327.00	N/A		200.00	950.00	505.00					370.00
Saskatoon	June 16, 2003	FOB	162.50	180.00	147.50	174.00			311.33	235.00		200.00	N/A	505.00			166.67		420.00
SK	June 9, 2003	FOB	162.50	180.00	140.00	174.00			321.00	235.00		200.00	N/A	505.00			170.00		420.00
Melfort	June 16, 2003	FOB																	
SK	June 9, 2003	FOB																	
Winnipeg	June 16, 2003	FOB	167.00	146.00	154.50	146.00			299.50	235.00		335.00	925.00	480.00					430.00
MB	June 9, 2003	FOB	168.50	145.89	154.50	149.00			303.00	235.00		335.00	925.00	480.00					430.00
Thunder Bay	June 16, 2003	In-Store	177.00	N/A	150.00														
ON	June 9, 2003	In-Store	174.10	N/A	154.00														
Lake Ports	June 16, 2003	On Board				142.38													
USA	June 9, 2003	Vessel				141.92													
Bay Ports	June 16, 2003	In-Store	205.50	260.00	N/A														
ON	June 9, 2003	In-Store	210.60	285.00	N/A														
Chatham	June 16, 2003	Track				152.26													
ON	June 9, 2003	Track				153.04													
Toronto	June 16, 2003	N/A																	
ON	June 9, 2003	N/A																	
Hamilton	June 16, 2003	N/A																	
ON	June 9, 2003	N/A																	
Eastern	June 16, 2003	FOB				160.12													
ON	June 9, 2003	FOB				160.12													
London	June 16, 2003	FOB																	
ON	June 9, 2003	FOB																	
Port Colborne	June 16, 2003	FOB																	
ON	June 9, 2003	FOB																	
Cardinal	June 16, 2003	FOB																	
ON	June 9, 2003	FOB																	
Montreal	June 16, 2003	N/A																	
QC	June 9, 2003	N/A																	
Trois-Rivières	June 16, 2003	In-Store	212.50	N/A	N/A	179.00	160.13												
QC	June 9, 2003	In-Store	208.60	N/A	N/A	182.00	155.80												
St. Jean QC	June 16, 2003	FOB	191.26	214.72	169.26	157.22			327.96										
(2)	June 9, 2003	FOB	188.63	218.30	164.74	157.22			336.75										
St. Hyacinthe QC	June 16, 2003	In-Store	210.75	191.47	159.44	159.44			323.71										
Quebec	June 9, 2003	In-Store	199.30	N/A	184.65	158.78			327.09										
QC	June 16, 2003	Track	229.03	230.00	201.52	194.40			326.85	277.47									
Truro	June 9, 2003	Track	233.33	230.00	203.77	200.06			328.03	274.20									
NS	June 16, 2003	Water																	
Truro	June 9, 2003	Water																	
NS	June 16, 2003	Water																	
NS	June 9, 2003	Water																	
Halifax	June 16, 2003	In-Store																	
NS	June 9, 2003	In-Store																	

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close

Contact: Doris Pelletier A/Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: pelletierdm@ag.gc.ca

N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn. Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley Cash Price WCE (9) Oats 3CW

US\$1.00=CANS1.3661, closing date June 13, 2003

B. CASH PRICES AND REPLACEMENT VALUES

June 16, 2003

PRAIRIE GRAINS

Selected Points		Price Basis		This week 16-Jun-03	Last week 2-Jun-03	Month ago 20-May-03	Year ago 17-Jun-02
From:	Thunder Bay(WCE) (2)	In-Store	Wheat	144.90	146.50	141.50	184.50
	(CBOT)		Oat	150.75	147.75	158.75	N/A
	(Lethbridge)		Barley	150.00	151.00	152.80	157.30
To:	Bayport, ON (1)	In-store	Wheat	168.51	170.11	165.11	207.60
			Oat	N/A	N/A	N/A	N/A
			Barley	177.39	178.39	180.19	184.45
	Montreal, QC (1)	In-store	Wheat	172.93	174.53	169.53	212.35
			Oat	N/A	N/A	N/A	N/A
			Barley	182.31	183.31	185.11	189.57
	Moncton, NB	Truck via Halifax	Wheat	195.15	196.75	191.75	234.82
			Oat	N/A	N/A	N/A	N/A
			Barley	206.50	207.50	209.30	215.93
	Truro, NS	Truck via Halifax	Wheat	189.12	190.72	185.72	232.32
			Oat	N/A	N/A	N/A	N/A
			Barley	204.00	205.00	206.80	211.05
	Halifax, NS (1)	In-store	Wheat	180.18	181.78	176.78	219.65
			Oat	N/A	N/A	N/A	N/A
			Barley	190.30	191.30	193.10	197.37
	Stephenville, NL	Track / Truck via Sydney	Wheat	243.53	245.13	240.13	279.43
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	264.44
	Melfort, SK		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Bayport, ON		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Montreal, QC		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Moncton, NB		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Truro, NS		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
	Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A

Selected Points		Price Basis		This week 16-Jun-03	Last week 2-Jun-03	Month ago 20-May-03	Year ago 17-Jun-02
Corn							
From:	US Lake Port	On Board Vessel		142.38	143.68	144.06	136.84
To:	Montreal, QC (1)	In-store		161.42	162.72	163.10	155.74
From:	Chicago (Mi)	Track		134.32	135.05	135.45	135.62
To:	Montreal, QC	Track		163.18	163.91	164.31	164.65
From:	Chatham, ON	Track		152.26	156.00	157.99	141.43
To:	Montreal, QC	Track		176.06	179.80	181.79	164.81

Soymeal 48% Protein							
From:	Hamilton, ON			320.55	322.53	323.97	309.42
To:	Montreal, QC	Track		344.88	346.86	348.30	333.84
	Moncton, NB	Track		363.63	365.67	367.05	357.05
	Truro, NS	Track		366.85	368.83	370.27	355.88
	Stephenville, NL	Track / Truck via Sydney		415.48	417.46	418.90	404.68

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Market Analysis Division, Agriculture and Agri-Food Canada
 Contact: Doris Pelletier, A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: pelletierdm@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.
 Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
 Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.
 Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

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Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

Bi-weekly Bulletin

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CANADA: SEA BUCKTHORN

Sea buckthorn berry production, largely unharvested, is estimated at more than 1.6 million kilograms (Mkg) from shelterbelt plantings and 200 hectares (ha) of orchard plantation across Canada and may provide an opportunity to further diversify Canadian agriculture. The berries, considered amongst the most nutritious and vitamin-rich fruits found, have very good potential as a leading candidate to create a value added industry with many agri-food products. Sea buckthorn's ideal suitability to climatic conditions across most of Canada and its low to zero nutrient and pesticide requirement also make it a good candidate to contribute to improved environmental farming practice under Agriculture and Agri-Food Canada's (AAFC) Agriculture Policy Framework (APF). This *Bi-weekly Bulletin* provides a summary of sea buckthorn research undertaken by the food research program within AAFC.

Background

Sea buckthorn (*Hippophae rhamnoides* L.), a plant native to Europe and Asia, is currently being domesticated in Canada. Sea buckthorn has been known and used by Eurasians for centuries. It was first mentioned in the ancient Greek writings where horses fed with the leaves and young branches of the sea buckthorn plant experienced increased weight gain and developed a shiny coat. This provided the basis for the Latin name, 'Hippo' - horse and 'phaos' - to shine. The medicinal value of sea buckthorn was also recorded in Tibetan medical records in the eighth century.

In Russia, the sea buckthorn industry has been thriving since the 1940s, when scientists began to investigate the active properties found in the fruit and leaves. In China, research and plantation establishments were initiated in the 1980s and since 1982 over 300,000 ha of sea buckthorn have been planted. This has created 150 processing factories, producing over 200 products.



Plant and Environment

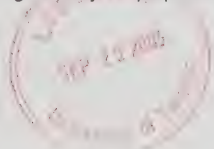
Of the five species of sea buckthorn, only one, *Hippophae rhamnoides*, has an extremely wide distribution stretching from China westward to Britain and north to Finland. This variety is further divided into eight subspecies. It grows on hills, valleys, riverbeds, and along seacoasts and islands. Sea buckthorn usually forms a shrub or tree varying from less than 50 centimetres to more than 20 metres (m) in height.

Sea buckthorn can grow in arid conditions and tolerates cold winters. It is considered drought resistant, however it is not recommended to be grown on regions that receive less than 400 millimetres of rain as fruit production will be significantly

reduced. It prefers sandy and neutral soils but is most productive in soils with pH values from 5-9. It can tolerate sea water flooding and will survive in soils that have developed salinity problems. Its extensive root system and the plant's ability to multiply by suckering, make sea buckthorn an ideal plant for soil conservation and riverbank erosion control.

Sea buckthorn is a dioecious species with male and female flowers on separate trees, therefore it is essential that both male and female plants are in proximity to ensure fruit production. The flowers do not produce nectar which eliminates pollination by insects. One male plant can pollinate six or more females through the movement of air, aided by wind. Sex of the plant can only be determined after the seedlings reach four years old. Vegetative propagation of male and female plants from suckers, softwood, hardwood or roots is the only way to pre-determine sex.

Rows of sea buckthorn are planted perpendicular to prevailing winds to



Canada

ensure good pollination. Spacing between rows is about 4 m and spacing of plants within a row ranges between 1.0-1.5 m depending on the variety and growth pattern. It is recommended that male trees be mixed into every second or third row of female trees in a systematic pattern to yield a ratio of between 1:6 and 1:12 males to females.

Beyond fertilization during initial planting, sea buckthorn rarely requires fertilization as it is able to fix atmospheric nitrogen and conserve other essential nutrients. Pruning of the female plants is recommended for ease of picking and to provide sunlight to the berries on lower limbs. Weeds can be controlled by the use of plastic mulch, glyphosate or tilling but are not considered a serious threat to established plants. Sea buckthorn can experience disease problems such as verticillium wilt on the plant, but infestations are not a concern. Integrated pest management practices are not needed, but pests specific for infestations such as the sea buckthorn fly are sometimes used. Severe infestations are unlikely and therefore spraying for flies is rarely needed.

Sea buckthorn berries range from yellow, orange, to red in colour and come in many types of shapes and sizes. Berries can weigh between 4-60 grams (g) per 100 berries. Normally sea buckthorn has thorns surrounding the berries which also vary in density, shape, size and sharpness. In Russia, Germany and Mongolia, thornless or near thornless cultivars have been bred.

Current Environment

Sea buckthorn was originally imported into Canada from Russia as early as 1938, primarily as an ornamental plant. It was later widely used in farmstead shelterbelts, in land reclamation, wildlife protection and improvement and to control soil erosion. The plant's hardiness, low to zero nutrient and pesticide requirement, adaptability to the extreme prairie climate and its ability to promote growth of pine trees and poplars make it one of the best suited plants for conservation purposes. From an environmental perspective, sea buckthorn

production fits well into Agriculture Canada's Agriculture Policy Framework goal of improved environmental responsibility. Since 1982, it is estimated that more than one million seedlings have been distributed for use in prairie conservation programs.

The largest concentration of sea buckthorn plants is the result of a habitat improvement initiative at the Rafferty wildlife mitigation project, located near Estevan, Saskatchewan. Since 1989, over 50,000 sea buckthorn shrubs have been planted. The population is estimated to have grown significantly since then through colonization by suckering.

Farmstead shelterbelts are used in the Prairies as a shelter against winds and can lower energy costs, reduce noise and filter pollutants. In 1995, 59,000 sea buckthorn plants, equalling 70 kilometres of trees, were planted on farms for shelterbelt purposes and an additional 78,000 plants were planted in fields to prevent soil erosion and improve soil quality.

More recently, in Saskatchewan and British Columbia, seeding of sea buckthorn orchards has taken place in anticipation of consumer demand and commercial processing.

Sea buckthorn associations, such as the British Columbia Sea Buckthorn Growers Association are sources of additional information.

Nutritional Values

The relatively recent interest in sea buckthorn production is due to the fact that the berries are among the most nutritious and vitamin-rich fruits found. The berry can contain up to ten different vitamins as well as trace elements, fruit acid, sugar and oil. Sea buckthorn is rich in proteins, and contains up to 18 amino acids. There are over 24 chemical elements present in the juice, including calcium, iron, and manganese.

Vitamin C concentrations in the berry pulp vary from 100 milligrams (mg)/100 g of berries, to 2500 mg/100 g of berries for

the Chinese subspecies *sinensis*. Comparatively, orange juice contains about 35-40 mg/100 g of fruit. The carotene content ranges from 30 to 40 mg/100 g of berries and the carotenoid levels range from 9 to 35 mg/100 g of berries. Sea buckthorn is also high in flavonoids, in the range of 120-2100 mg/100 g of berries, and contains significant levels of water soluble vitamins.

Oil from the pulp is highly unsaturated having 62-63% of its fatty acid composition represented by palmitoleic, oleic, and linoleic acids. Pulp oil contains vitamin E concentrations which can be up to 160 mg/100 g of berries.

Sea buckthorn seed oil is very high in unsaturated fat. Up to 73% of the seed oil is comprised of linoleic or linolenic acids and up to an additional 19% is oleic acid. The vitamin E content of the seed oil ranges between 61-113 mg/100 g of seed and contains significant levels of carotenoids.

Yellow pigment, a byproduct from the sea buckthorn berries can be extracted from the residue once the juice has been removed. The pigment, water absorbent, can be extracted and concentrated by spray-drying to yield a yellow powder. The powder contains mainly flavones and lower levels of carotene and vitamin E. This product can be used as a natural food colouring material and/or as a supplement to boost nutritional values.

Medicinal and Cosmetic Values

Concentrations of a rare fatty acid (palmitoleic) and carotenoid levels found in sea buckthorn oils are claimed to promote healing of skin burns and the relief of other skin ailments such as eczema and dermatitis. The most significant potential healthful benefit is the high content of the tocopherol (vitamin E) component within the seed oil. Tocopherol is recognized as the natural antioxidant in the human body. It is believed that high levels of tocopherol minimize skin oxidation, which helps to maintain skin integrity and reduce skin toughening and wrinkling.

Sea-buckthorn oils are also believed to have a biological protective capacity. The tocopherols and carotenoids can trap and reduce the formation of UV-B induced toxic products in skin cells. Due to these UV-B absorptive properties, sea buckthorn oils may be used by industry as a natural sun screen.

Research has indicated that extracts isolated from the bark of sea buckthorn may inhibit tumour growth and there are reports that it has successfully treated gingivitis.

The leaves of the sea buckthorn plant also contain many nutrients and bioactive substances. Leaves harvested from the male plant can be used to produce tea, tea extracts, tea powder and animal feed.

Production and Harvesting Costs

Production of fruit can vary considerably. A natural sea buckthorn habitat can yield from 750 to 1,500 kilograms per hectare (kg/ha) of berries, shelterbelt plantings 4-5 tonnes/hectare (t/ha) and orchards up to 12 t/ha.

Currently there are few sea buckthorn orchards in Canada. Until such time that orchards can be established, all potential supplies will need to be harvested from plantations which were originally seeded for farmstead protection, erosion control and wildlife habitat.

The cost of production on these plantations with average yields of about 6 kg per plant, using hand harvesting and without irrigation costs is estimated to be \$2.30/kg after the seventh year when fruit

production has stabilized. The majority of the cost of production for sea buckthorn is the hand harvesting component which is estimated to be about \$1.65/kg. This could be significantly lowered if orchards with thornless high yielding varieties were established. Savings would be realized by more fruit producing female plants per acre (/ac), higher yields per plant, increased harvesting rates per hour as a result of thornless varieties, and by reducing the added costs that are involved with coordinating harvest for plantations that are widely dispersed.

Hormonal treatment which decreases the force required to detach berries from the branches and mechanical harvesters are currently being studied and developed as additional ways to lower harvesting costs. Both are looking promising as additional methods which may help to make sea buckthorn production more economically feasible. In a Canadian sea buckthorn technology mission to Germany, the use of a mechanical shaker to separate the berries from cut branches was observed. A nine worker harvesting team was reported to be able to harvest about 3,240 kg of berries per day (kg/day). This equates to about 360 kg/day per worker. Comparatively, hand harvesting of plantation berries is estimated to collect roughly 10 kg/day per worker, while with higher yielding thornless varieties a worker can harvest about 50 kg/day. It should be noted that cutting the branches as a method of berry picking, limits harvesting to every second year.

Because sea buckthorn products have not been on the market sufficiently long, it is

difficult to determine the market price of fresh picked berries. Market price estimates range from \$3 to \$10/kg of berries depending upon supply and demand factors. Assuming a conservative market price of \$3/kg, with yield at 5,000 kg/ha and a production cost of \$2.30/kg, a plantation would be able to net approximately \$3,500/ha $[(5,000 \times \$3.00) - (5,000 \times \$2.30)]$, excluding transportation costs. Therefore, assuming the market determines a price of \$3.00/kg, it would appear that the production of sea buckthorn could be highly profitable for growers.

Economics of Processing

Because of the relatively high cost of purchasing sea buckthorn berries, (due mostly to harvesting costs) it is unlikely that the processing industry can be profitable if the oils within the berry are not segregated and targeted for the lucrative nutraceutical and functional food industries.

A processing plan proposed by AAFC's Pacific Agri-food Research Centre could be adopted as a practical way to segregate sea buckthorn into its various products. In this processing plan, the sea buckthorn berries are separated into five end-products (juice, pulp-oil, powdered nutrient supplement, seed oil, and animal feed) using several existing technologies which can vary in cost depending upon the volume and the desired market. (For example, using supercritical carbon dioxide as a seed oil extraction method is very expensive and may only be feasible if oil is produced in sufficient quantities and targeted for specialty markets.) The

SEA BUCKTHORN JUICE

Sea buckthorn juice produced from the pulp of the berry is best consumed whole in order to obtain all of the active bio-compounds and elements within the berry. The juice contains varying levels of suspended oils which will float to the top and suspended solids which will gravitate to the bottom creating a "three-phase" juice when allowed to stand beyond a few minutes. From the consumers point of view this floating oil ring is undesirable. Clarifying centrifuges, a relatively inexpensive process that operates similar to cream separators, can be used to remove the suspended solids and the oil layer from the juice. This could be one method to produce sea buckthorn juice. The remaining separated solids and oils could then be further processed to extract the remaining nutritional components and provide additional value-added possibilities.

Preserving the juice to increase shelf life is critical to marketing. Because the juice is high in vitamin C which can be destroyed by prolonged exposure to heat, a high temperature-short time (HTST) process is recommended. HTST will retain the high vitamin C content, stabilize the juice and reduce the chances of "off-flavours" from occurring.

products once separated could either be sold on their own merits, for example, sea buckthorn juice with a high vitamin C level, or sold as a natural additive, for example to boost the source of vitamin C within some other fruit drink.

The profitability of sea buckthorn commercialization is complex and an in-depth analysis to determine all processing/marketing costs and returns needs to be completed to determine if a sea buckthorn industry can be economically viable.

Food and Nutraceutical Industries

Sea buckthorn products will generally fall into the nutraceutical or functional food categories. Health Canada has defined nutraceuticals and functional foods as follows: "a nutraceutical is a product isolated or purified from foods that is generally sold in medicinal forms not usually associated with food and is demonstrated to have physiological benefit or provide protection against chronic disease; and a functional food is similar in appearance to, or may be a conventional food, is consumed as part of a usual diet and is demonstrated to have physiological benefits and/or reduce the risk of chronic disease beyond basic nutritional function."

In a study prepared for AAFC, it is argued that functional foods could become a cornerstone of a preventive model for managing chronic diseases. The preventive model is based on early disease detection and functional food-based control of moderate risk factors. Research into these new possibilities for agriculture is one of the key pillars of the APF. The APF is the federal-provincial plan to encourage innovation in the agriculture industry and help it respond to increasing global demands for healthy, safe food, produced in an environmentally friendly fashion.

Within the nutraceutical and functional food market categories, sea buckthorn products are likely to be sold as 1) herbs and botanicals (oil), 2) sports meal and

specialty supplements (juice) and 3) natural personal care products (lotions). In an edition of the *Nutrition Business Journal* it was estimated that the herbs and botanicals market is expected to grow between 16-18% per year, sports meal and specialty supplements by 8-10% per annum and natural personal care products between 8-12%.

Recent consumer surveys in Europe have confirmed that 75% of consumers believe there is a link between health and food; 79% believe diet is an appropriate way to prevent diseases and 62% are constantly watching their diet and looking for new products which can promote health.

Outlook

Sea buckthorn as a commercial crop is well suited for production in Canada. Favourable soil and climatic conditions produce a high quality, nutrient rich berry. Further, a large supply of high quality water for processing, technical expertise in oil extraction and the commitment by all levels of government through the APF to establish new and diversified value-added products combine to create very good potential for sea buckthorn.

As a single fruit, sea buckthorn contains impressive levels of nutrients. However, economics and competitiveness will dictate whether sea buckthorn and its components will be able to penetrate a particular market. For example, can sea buckthorn compete with soybeans as a source of tocopherol when soybeans have approximately 1,000 mg/1,000 g in comparison to sea buckthorn fruit pulp oil at 330 mg/1,000 g or with other oils for antioxidants, when flaxoils have about 50% linolenic acid and sea buckthorn in the 30% range?

Current estimates indicate that there may be a North American demand for 10,000 kg of processed sea buckthorn oil. This would require a supply of approximately 1.5 Mkg of fruit annually. The export potential of sea buckthorn products and fruit to Europe is also estimated to be significant. Due to

production problems, current European demand is exceeding supply and could provide a potential export market of up to 100,000 kg of berries per annum.

Efficient harvesting methods, the establishment of productive orchards and the development of improved thornless cultivars that focus on improved yields and higher nutrient and oil content need to be developed to make the establishment of a sea buckthorn industry in Canada more competitive and viable.

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CANADA: GRAINS AND OILSEEDS OUTLOOK

July 4, 2003

For 2003-04, total production of grains and oilseeds in Canada is forecast by AAFC to increase to 59 million tonnes (Mt) from 42 Mt in 2002-03 and the 10-year average of 58 Mt, based on Statistics Canada's June area seeded estimates. It has been assumed that yields will be slightly below trend, due to the dry areas and delayed seeding, and that abandonment rates will be significantly lower than 2002-03. Seeding was significantly later than normal, due to cool and wet weather, in Saskatchewan and Alberta. Therefore, crop development is, on average, about a week behind normal in these provinces. Grasshoppers are a significant problem in some regions of western Canada. Crop quality is expected to be significantly better than last year. Although soil moisture reserves in western Canada are significantly better than a year ago, there are some dry areas in the northern crop producing regions of Alberta, Saskatchewan and Manitoba. Most areas of western Canada need rain to keep crops from deteriorating. In western Canada, production is forecast to increase to 44 Mt from 27 Mt in 2002-03. In eastern Canada, production is forecast to increase slightly from 2002-03. Total Canadian supplies are forecast to increase considerably as higher production more than offsets low carry-in stocks. Total exports are forecast to increase to 23 Mt from about 15 Mt expected for 2002-03. In general, prices for grains and oilseeds in Canada are expected to decline due to lower world prices and the stronger Canadian dollar.

It has been assumed that the trade disruptions affecting the cattle and beef sector, related to the single case of bovine spongiform encephalopathy (BSE) in Alberta, will be short-lived and that the impacts on feed demand will not be significant for 2003-04. Although the impacts will be partly alleviated by the national temporary assistance program for the cattle and beef industry, the temporary trade disruptions are expected to slightly increase domestic feed use for 2002-03, due to the backlog of cattle in Canada, and further reduce carry-in stocks of corn and barley for 2003-04.

Average world grain and oilseed prices for 2003-04 are expected to decline from the 2002-03 level due to higher US and world production. For most major crops, domestic support programs in the US and EU are expected to continue to encourage high production, which will pressure prices. The major factors to watch are growing conditions in the major importing and exporting regions, Canada/US trade issues, the level of EU export subsidies, exports from Ukraine and Russia, import demand from China and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2003-04, production is forecast to increase by 52% from 2002-03 due to higher harvested area and yields. However, supplies are expected to rise by only 30% due to lower carry-in stocks. Exports are forecast to increase to 10.9 Mt, from only 5.9 Mt in 2002-03, but remain below the 10-year average of 13 Mt. Feed use is expected to fall slightly, assuming a return to a normal grade distribution, which will result in reduced supplies of lower quality wheat. Carry-out stocks are forecast to rise by 5%, to 4.3 Mt vs. the 10-year average of 5.8 Mt. The Canadian Wheat Board (CWB) June 2003-04 Pool Return Outlook (PRO) for No.1 CWSR 11.5% protein is \$182/t, in-store Vancouver/St. Lawrence, the lowest since 1999-00 and \$61/t below the 2002-03 PRO. Ontario winter wheat production is forecast to rise by 71% to a record 1.9 Mt, due to a record seeded area. Ontario Wheat Producers' Marketing Board pool returns for No.1 CESRW wheat are projected by AAFC at \$120-130/t, terminal or processor position.

DURUM

Production is forecast to increase by 35% due to higher expected harvested area and yields. Supplies will rise by only 20%, to 6.3 Mt, slightly below the 5-year average, due to a 16% drop in carry-in stocks. Exports, however, are forecast to increase by only 7%, to an historically low level of 3.2 Mt, due to weak world demand for durum wheat largely resulting from good crops in North Africa. Carry-out stocks are projected to increase by 62%, to 2.1 Mt, vs. the 10-year average of 1.7 Mt. The CWB PRO for No.1 CWAD 11.5% protein is \$193/t I/S VC/SL, \$70/t below the 2002-03 PRO and the lowest since 1992-93. The premium for No.1 CWAD 11.5% over No.1 CWSR 11.5% is forecast at \$11/t, compared to \$20/t for 2002-03.

BARLEY

Production is forecast to increase by 74% due to higher expected harvested area and yields. Supplies are expected to rise by 47%. Exports of malting barley are expected to increase significantly while feed barley exports remain historically low, although higher than 2002-03. Feed use is expected to rise significantly as barley displaces imports of US corn in western Canada. Carry-out stocks are forecast to remain low, although higher than 2002-03. Off-Board feed barley prices are expected to decrease sharply. The CWB PRO for No.1 CW Feed Barley is \$123/t vs the 2002-03 PRO of \$162/t. The CWB PRO for Special Select Two Row designated barley is \$191/t vs the 2002-03 PRO of \$246/t, largely due to increased supplies in North America and Australia.

OATS

Production is forecast to increase by 40% due to higher expected harvested area and yields. Supplies are expected to increase by 35%. Exports, mainly to the US, are expected to rise significantly due to larger supplies and reduced competition from Sweden and Finland. Carry-out stocks are expected to rise. Prices are forecast to fall sharply, largely due to increased production in Canada and the US and the stronger Canadian dollar. The premium for oats over corn is expected to fall significantly.

CORN

Production is forecast to decrease as lower area more than offsets higher expected yields. Imports are expected to fall by about 49% to 2.2 Mt, mainly due to higher barley production in western Canada. Feed use of corn is also expected to decline, as a result of larger supplies of barley in western Canada. Carry-out stocks are forecast to decrease. Chatham corn prices are forecast to decrease by about 20% due to lower US prices and the stronger Canadian dollar.

CANOLA

Production is forecast to increase by 66% due to higher expected harvested area and yields. Supplies are forecast to increase by only 32% due to lower carry-in stocks. Domestic crush and exports are expected to rise by 19% and 45%, respectively. Carry-out stocks are forecast to increase considerably from 2002-03. The average price is expected to fall due to higher Canadian and world canola/rapeseed production and the stronger Canadian dollar.

FLAXSEED (excluding solin)

Production is forecast to increase by 27%, due to higher expected harvested area and yields. Supplies are forecast to rise by only 8% due to lower carry-in stocks. Exports are forecast to increase slightly. Carry-out stocks are expected to increase significantly, pressuring average prices.

SOYBEANS

Production is forecast to increase by 11% due to higher expected harvested area and yields. Supplies are expected to rise by 10%. Domestic use is expected to increase slightly, while exports rise by 42% due to higher supplies. Prices are forecast to fall due to lower US soybean prices related to higher US and South American production and the stronger Canadian dollar.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

July 4, 2003

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use	Feed, Waste & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes-----											
Durum											
2001-2002	2,036	1.47	2,987	12	5,872	3,628	249	213	699	1,545	260.43
2002-2003f	2,185	1.70	3,714	7	5,266	3,000	280	446	966	1,300	263 *
2003-2004f	2,435	2.05	5,000	10	6,310	3,200	280	530	1,010	2,100	193 **
Wheat Except Durum											
2001-2002	8,550	2.06	17,581	85	24,459	12,578	2,792	3,293	6,877	5,004	207.16
2002-2003f	6,428	1.86	11,976	180	17,160	5,900	2,835	3,545	7,160	4,100	243 *
2003-2004f	7,755	2.34	18,150	50	22,300	10,900	2,865	3,425	7,100	4,300	182 **
All Wheat											
2001-2002	10,585	1.94	20,568	97	30,331	16,206	3,041	3,506	7,576	6,549	
2002-2003f	8,613	1.82	15,690	187	22,426	8,900	3,115	3,991	8,126	5,400	
2003-2004f	10,190	2.27	23,150	60	28,610	14,100	3,145	3,955	8,110	6,400	
Barley											
2001-2002	4,150	2.61	10,846	112	13,473	1,772	306	9,048	9,803	1,898	158.60
2002-2003f	3,267	2.23	7,283	280	9,461	700	275	6,851	7,581	1,180	170-175
2003-2004f	4,565	2.78	12,680	50	13,910	2,200	320	9,355	10,110	1,600	110-140
Corn											
2001-2002	1,267	6.62	8,389	3,844	13,113	193	2,285	9,544	11,864	1,056	132.90
2002-2003f	1,288	7.04	9,065	4,300	14,421	250	2,425	10,611	13,071	1,100	145-155
2003-2004f	1,240	7.21	8,935	2,200	12,235	250	2,500	8,550	11,085	900	105-135
Oats											
2001-2002	1,238	2.17	2,691	53	3,598	1,409	147	1,479	1,826	363	202.19
2002-2003f	1,298	2.12	2,749	15	3,127	1,200	150	1,209	1,577	350	205-210
2003-2004f	1,710	2.25	3,855	5	4,210	1,725	150	1,610	1,970	515	110-140
Rye											
2001-2002	123	1.85	228	4	309	62	39	144	198	49	
2002-2003f	77	1.77	136	5	190	45	40	58	115	30	
2003-2004f	145	2.03	295	5	330	80	52	140	210	40	
Mixed Grains											
2001-2002	159	2.80	447	0	447	0	0	447	447	0	
2002-2003f	132	2.73	360	0	360	0	0	360	360	0	
2003-2004f	150	2.80	420	0	420	0	0	420	420	0	
Total Coarse Grains											
2001-2002	6,937	3.26	22,600	4,013	30,939	3,436	2,777	20,662	24,138	3,365	
2002-2003f	6,062	3.23	19,593	4,600	27,558	2,195	2,890	19,089	22,704	2,660	
2003-2004f	7,810	3.35	26,185	2,260	31,105	4,255	3,022	20,075	23,795	3,055	
Canola											
2001-2002	3,765	1.31	4,926	226	6,240	2,524	2,293	188	2,516	1,200	357.45
2002-2003f	2,857	1.25	3,577	225	5,002	2,200	2,100	197	2,342	460	410-420
2003-2004f	4,570	1.30	5,935	225	6,620	3,200	2,500	275	2,820	600	335-365
Flaxseed (excluding Solin)											
2001-2002	662	1.08	715	24	998	618	n/a	n/a	205	175	319.77
2002-2003f	633	1.07	679	23	877	612	n/a	n/a	200	65	405-415
2003-2004f	725	1.19	865	15	945	620	n/a	n/a	210	115	325-355
Soybeans											
2001-2002	1,069	1.53	1,635	982	2,803	501	n/a	n/a	2,129	173	269.01
2002-2003f	1,024	2.28	2,335	552	3,060	600	n/a	n/a	2,300	160	305-315
2003-2004f	1,040	2.50	2,600	600	3,360	850	n/a	n/a	2,330	180	260-290
Total Oilseeds											
2001-2002	5,495	1.32	7,277	1,233	10,041	3,643	n/a	n/a	4,850	1,548	
2002-2003f	4,514	1.46	6,591	800	8,939	3,412	n/a	n/a	4,842	685	
2003-2004f	6,335	1.48	9,400	840	10,925	4,670	n/a	n/a	5,360	895	
Total Grains And Oilseeds											
2001-2002	23,018	2.19	50,444	5,343	71,311	23,285	n/a	n/a	36,564	11,462	
2002-2003f	19,189	2.18	41,874	5,587	58,923	14,507	n/a	n/a	35,671	8,745	
2003-2004f	24,335	2.41	58,735	3,160	70,640	23,025	n/a	n/a	37,265	10,350	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use. For flaxseed and soybeans, food/industrial use and feed/waste/dockage are included in the total domestic use, but are not reported due to data confidentiality.

(e) Crop year average prices: No.1 CWRS 11.5% and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver),

Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures);

Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* May 2003 CWB Pool Return Outlook (PRO). ** June 2003 CWB PRO

f: Agriculture and Agri-Food Canada forecast, July 4, 2003

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

July 4, 2003

For 2003-04, total Canadian pulse and special crops seeded area decreased by 7%, according to Statistics Canada's (STC) seeded area survey, conducted from May 26 to June 5, 2003 and released on June 26. Higher seeded areas for dry peas, mustard seed and sunflower seed were more than offset by lower areas for lentils, dry beans, chick peas, canary seed and buckwheat. Seeding was significantly later than normal, due to cool and wet weather, in Saskatchewan and Alberta, where most of Canada's pulse and special crops are produced. Therefore, crop development is, on average, about a week behind normal in these provinces. Grasshoppers are a significant problem in some regions of western Canada. Overall crop condition is significantly better than a year ago for dry peas, lentils, chick peas, mustard seed and canary seed, and similar for dry beans, sunflower seed and buckwheat. Although soil moisture reserves in western Canada are significantly better than a year ago, there are dry areas in the northern crop producing regions of Alberta, Saskatchewan and Manitoba. Yields are forecast to be below trend, due to the dry areas and delayed seeding, but significantly higher than in 2002-03. Most areas of western Canada need rain to keep crops from deteriorating. For eastern Canada, trend yields are assumed. It has been assumed that precipitation will be normal for the rest of the growing and harvest periods. It has also been assumed that crop abandonment and crop quality will be near normal.

For 2003-04, total pulse and special crops production is forecast to increase by 45%, compared to 2002-03, to 4.01 million tonnes (Mt). Total supply is expected to increase by only 24% because of lower carry-in stocks. Total exports and domestic use are forecast to increase due to the higher supply and strong demand, resulting in similar to 2002-03 carry-out stocks. Average prices, over all grades and markets, are forecast to increase from 2002-03 for dry beans, chick peas and buckwheat, decrease for dry peas, lentils and mustard seed, and be the same for sunflower seed. However, prices are expected to be very sensitive to any production problems due to low world carry-in stocks. The main factors to watch will be precipitation during the growing and harvest periods in Canada, the exchange rate of the Canadian dollar against the US dollar and other currencies, and growing and harvest conditions in major producing countries.

DRY PEAS

For 2003-04, production and supply are forecast to increase significantly, with a marginally higher seeded area, lower abandonment and higher yields. Production is expected to increase for yellow, green and other types. World supply is expected to increase by 13% to 11.6 Mt, but this is expected to be mostly offset by higher consumption, especially for livestock feed. Canadian exports and domestic use are forecast to increase, with a larger portion going into the feed market. Carry-out stocks are forecast to increase with a stocks-to-use (s/u) ratio of 6%. The average price, over all types, grades and markets, is forecast to decrease due to the higher world supply.

LENTILS

Production and supply are forecast to increase significantly, as a 8% decrease in seeded area is more than offset by lower abandonment and higher yields. Production is expected to increase for large, medium and small green, red and other types. World supply is expected to increase slightly to 3.35 Mt. Canadian exports are expected to increase, as Canada's share of world supply rises. Carry-out stocks are forecast to remain low. The average price, over all types and grades, is forecast to fall due to the higher supply.

DRY BEANS

Production and supply are forecast to decrease significantly, due mainly to a 33% decrease in seeded area. Production is expected to decrease for all major classes of dry beans. Exports are forecast to decrease, due to lower supply, and carry-out stocks are expected to decrease to a low level. US production and supply are also expected to decrease due to a 21% decrease in seeded area. The average price, over all classes and grades, is forecast to increase due to the lower supply.

CHICK PEAS

Production and supply are forecast to fall sharply due to a 72% decrease in seeded area, which is partly offset by lower abandonment and higher yields. Seeded area fell sharply due to the high risk of production, especially for the kabuli type, relative to expected prices. Production is expected to decrease for all types, desi, large kabuli and small kabuli. World supply is expected to increase slightly to 7.8 Mt. Canadian exports are forecast to decrease sharply due to lower supply. Carry-out stocks are forecast to decrease to a low level. The average price, over all types, sizes and grades, is forecast to increase due to lower supply and expected higher quality in Canada.

MUSTARD SEED

Production and supply are forecast to increase significantly due to a 21% increase in seeded area, lower abandonment and higher yields. Production is expected to increase for all types, yellow, brown and oriental. US production, nearly all the yellow type, is forecast to decrease due to a 50% decrease in seeded area. Canadian exports are expected to increase because of the higher supply. Carry-out stocks are forecast to increase, with a s/u ratio of 33%. The average price, over all types and grades, is forecast to decrease because of higher supply.

CANARY SEED

Production and supply are forecast to increase significantly, as a 9% decrease in seeded area is more than offset by lower abandonment and higher yields. World supply is forecast to increase by 23% to 305,000 t. Canadian exports are expected to increase, because of the higher supply. Carry-out stocks are forecast to increase, with a stocks-to-use ratio of 17%. The average price is forecast to decrease because of increased supply.

SUNFLOWER SEED

Production and supply are forecast to increase moderately due to a 20% increase in seeded area. A small increase in production is expected for the confectionary type and a larger increase for the oilseed type. World supply is expected to increase by 2% to 24.8 Mt, due to higher production of the oilseed type. Total US and Canadian supply of the confectionary type is expected to decrease, while the total supply of the oilseed type increases. Canadian exports and domestic use are expected to increase due to the higher supply and strong demand. Carry-out stocks are forecast to be the same as for 2002-03, with a s/u ratio of 10%. Lower total US and Canadian supply is expected to support prices for the confectionary type, while higher world supply is expected to pressure prices for the oilseed type. The average price, over both types and all grades, is forecast to be the same as in 2002-03.

BUCKWHEAT

Production and supply are forecast to decrease, as a 23% drop in seeded area is partly offset by higher yields. World supply is forecast to decrease by 4% to 2.56 Mt. Canadian exports are expected to remain stable, and stocks are forecast to decrease to a negligible level. The average price, over all grades and markets, is forecast to increase due to the lower supply.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

July 4, 2003

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----									
Dry Peas									
1999-2000	835	2.70	2,252	12	2,639	1,417	822	400	135
2000-2001	1,220	2.35	2,864	12	3,276	2,196	885	195	138
2001-2002	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003f	1,050	1.30	1,365	40	1,680	950	590	140	210-220
2003-2004f	1,220	1.96	2,395	25	2,560	1,600	810	150	145-175
Lentils									
1999-2000	497	1.46	724	10	794	503	211	80	380
2000-2001	688	1.33	914	5	999	475	268	256	295
2001-2002	664	0.85	566	6	828	478	219	131	320
2002-2003f	387	0.91	354	8	493	335	148	10	390-400
2003-2004f	520	1.13	590	5	605	425	170	10	350-380
Dry Beans									
1999-2000	154	1.91	294	41	360	260	60	40	500
2000-2001	162	1.65	268	40	348	227	71	50	465
2001-2002	175	1.70	298	42	390	263	97	30	725
2002-2003f	219	1.89	414	30	474	305	114	55	450-460
2003-2004f	150	1.73	260	35	350	255	85	10	530-560
Chick Peas									
1999-2000	139	1.42	197	5	207	56	136	15	390
2000-2001	283	1.37	388	5	408	179	199	30	410
2001-2002	467	0.97	455	12	497	147	210	140	380
2002-2003f	154	1.01	156	10	306	130	126	50	305-315
2003-2004f	60	1.17	70	15	135	60	65	10	335-365
Mustard Seed									
1999-2000	273	1.12	306	1	357	170	72	115	285
2000-2001	208	0.97	202	1	318	151	62	105	280
2001-2002	158	0.66	105	3	213	171	9	33	685
2002-2003f	255	0.60	154	9	196	150	26	20	600-610
2003-2004f	335	0.84	280	3	303	175	53	75	380-410
Canary Seed									
1999-2000	146	1.14	166	0	276	157	29	90	240
2000-2001	164	1.04	171	0	261	170	21	70	265
2001-2002	163	0.70	114	0	184	134	20	30	660
2002-2003f	214	0.77	164	0	194	155	24	15	590-600
2003-2004f	240	0.94	225	0	240	165	40	35	315-345
Sunflower Seed									
1999-2000	79	1.54	122	19	145	49	55	41	295
2000-2001	69	1.72	119	18	178	77	55	46	320
2001-2002	67	1.55	104	30	180	92	66	22	355
2002-2003f	95	1.65	157	20	199	105	74	20	435-445
2003-2004f	114	1.58	180	15	215	115	80	20	425-455
Buckwheat									
1999-2000	13	1.00	13	1	16	8	7	1	305
2000-2001	15	0.93	14	1	16	9	7	0	305
2001-2002	14	1.14	16	1	17	6	8	3	325
2002-2003f	12	1.00	12	1	16	7	7	2	335-345
2003-2004f	9	1.11	10	1	13	7	6	0	335-365
Total Pulse And Special Crops(c)									
1999-2000	2,136	1.91	4,074	89	4,794	2,620	1,392	782	
2000-2001	2,809	1.76	4,940	82	5,804	3,484	1,568	752	
2001-2002	2,993	1.23	3,681	121	4,554	2,672	1,218	664	
2002-2003f	2,386	1.16	2,776	118	3,558	2,137	1,109	312	
2003-2004f	2,648	1.51	4,010	99	4,421	2,802	1,309	310	

(a) Aug-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, July 4, 2003

Source: Statistics Canada and industry consultations.

B. CASH PRICES AND REPLACEMENT VALUES

June 30, 2003

PRAIRIE GRAINS

Selected Points	Price Basis		This week 30-Jun-03	Last week 23-Jun-03	Month ago 2-Jun-03	Year ago 1-Jul-02
From: Thunder Bay(WCE) (2)	In-Store	Wheat	153.00	144.90	146.50	195.50
(CBOT)		Oat	152.25	150.75	147.75	N/A
(Lethbridge)		Barley	140.50	150.00	151.00	169.50
To: Bayport, ON (1)	In-store	Wheat	176.61	168.51	170.11	218.60
		Oat	N/A	N/A	N/A	N/A
		Barley	167.89	177.39	178.39	196.65
Montreal, QC (1)	In-store	Wheat	181.03	172.93	174.53	223.35
		Oat	N/A	N/A	N/A	N/A
		Barley	172.81	182.31	183.31	201.77
Moncton, NB	Truck via Halifax	Wheat	203.25	195.15	196.75	245.82
		Oat	N/A	N/A	N/A	N/A
		Barley	197.00	206.50	207.50	218.13
Truro, NS	Truck via Halifax	Wheat	197.22	189.12	190.72	243.32
		Oat	N/A	N/A	N/A	N/A
		Barley	194.50	204.00	205.00	223.25
Halifax, NS (1)	In-store	Wheat	188.28	180.18	181.78	230.65
		Oat	N/A	N/A	N/A	N/A
		Barley	180.80	190.30	191.30	209.57
Stephenville, NL	Track / Truck via Sydney	Wheat	251.63	243.53	245.13	290.43
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	276.64
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 30-Jun-03	Last week 23-Jun-03	Month ago 2-Jun-03	Year ago 1-Jul-02
Corn						
From: US Lake Port	On Board Vessel		136.21	142.20	143.68	143.49
To: Montreal, QC (1)	In-store		155.25	161.24	162.72	162.39
From: Chicago (Mi)	Track		128.24	134.17	135.05	142.30
To: Montreal, QC	Track		157.10	163.03	163.91	171.33
From: Chatham, ON	Track		151.57	152.65	156.00	151.57
To: Montreal, QC	Track		175.37	186.83	179.80	174.95

Soymeal 48% Protein						
From: Hamilton, ON			321.87	317.02	322.53	328.82
To: Montreal, QC	Track		346.20	341.35	346.86	353.24
Moncton, NB	Track		364.95	360.10	365.61	376.45
Truro, NS	Track		368.17	363.32	368.83	375.28
Stephenville, NL	Track / Truck via Sydney		416.80	411.95	417.46	424.08

1. Prices include ONE month of storage and interest charges
n/a = not available
2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Doris Pelletier, A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: pelletierdm@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



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CANOLA: SITUATION AND OUTLOOK

For 2003-2004, world production of canola is forecast to increase considerably from 2002-2003 when severe drought affected production in the major canola growing areas. In Canada, with improved growing conditions and increased production for 2003-2004, exports and domestic crush are expected to rise significantly. Canola prices are forecast to average 10-20% below 2002-2003. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for canola.

SITUATION

World Oilseed Situation

For 2002-2003, world production of the seven major oilseeds, excluding flaxseed, is estimated by the USDA (United States Department of Agriculture) at 327.8 million tonnes (Mt), up from 324.4 Mt in 2001-2002, as record soybean production in South America more than offset lower world production of cottonseed, peanuts, and canola/rapeseed. With record high oilseed crush expected for 2002-2003, carry-out stocks for the seven major oilseeds are expected to decrease by 5%, to 38.7 Mt, which is the lowest level since 1998-1999.

World Canola/Rapeseed Situation

For 2002-2003, world production of canola/rapeseed is estimated at 31.7 Mt, down from 36.0 Mt, due to smaller crops in China, Canada, India, and Australia. World crush is estimated at 31.0 Mt, down from 33.2 Mt in 2001-2002, due to tighter supplies and higher seed prices. The exceptions are the European Union (EU) and, to a lesser extent, Poland which increased crushing activities. For 2002-2003, world trade is estimated by USDA at 4.5 Mt, down from 5.8 Mt in 2001-2002, reflecting limited supplies and the relatively high prices of canola/rapeseed.

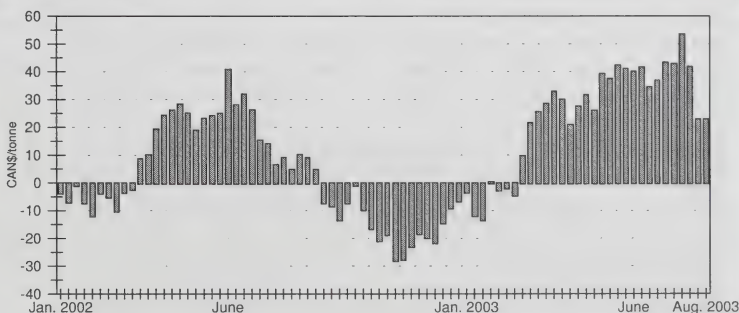
In **Canada**, canola production for 2002-2003 is currently estimated at 3.6 Mt by Statistics Canada (STC), down from 4.9 Mt in 2001-2002. However, there are indications that STC could revise upward 2002-2003 canola production by up to 0.5 Mt. Nevertheless, an anticipated revision would still make it the lowest production in ten years as a record drought in western Canada seriously reduced yields. As well, excessive rainfall in the fall either disrupted or prevented farmers from completing harvest operations. Due to limited supplies for 2002-2003, exports are expected to decrease by 8%, to 2.3 Mt, and domestic crush is expected to decline

by 4%, to 2.2 Mt. Carry-out stocks are estimated at 0.8 Mt, down from 1.2 Mt in 2001-2002, and the lowest level since 1998-1999.

Canadian Oilseed Crush Capacity and Use

The oilseed processing industry is, by volume, the largest primary processing industry for Canadian grains and oilseeds. Canola crushing accounts for three-quarters of Canada's crushing capacity, with the remainder devoted to soybean crushing. The major canola crushers are: Archer Daniels Midland (ADM) Agri-Industries, with plants in Ontario and

CANOLA: BOARD CRUSH MARGINS (VANCOUVER*)



* cash in-store

Source: Chicago Board of Trade, Winnipeg Commodity Exchange

Canada

Alberta; CanAmara Foods (Bunge), with plants in Ontario, Manitoba, Saskatchewan, and Alberta; Canbra Foods Ltd. in Alberta; and, Cargill in Saskatchewan.

Canada's canola crushing industry has been operating at about half capacity throughout most of the 2002-2003 crop year. The reduction in crushing activity is largely due to higher canola seed prices, relative to the price of meal and oil. Unlike the Canadian soybean crushing industry, which can access supplies of soybeans from the US, the Canadian canola crushers compete with exporters for limited supplies of canola, making them somewhat captive to the uncertainties of domestic supply.

Canola Crush Margins

The Board crush margin is an index of the general economic well-being of the oilseed processing sector. Board crush margins are not a predictor of crushing activity because the timing of purchases and sales by individual firms does not necessarily coincide with the timing of published prices for oilseeds and their products.

The Board crush margin for canola is calculated by subtracting the cash price of a unit of canola seed from the value of the meal and oil derived from that unit of seed. Chicago Board of Trade prices for soymeal and soyoil are often used as a proxy for Canadian canola meal and oil prices, and those prices are then adjusted for the Canada-US exchange rate. When using soymeal and soyoil prices as a proxy, the calculation must take into account the difference between soybeans and canola

in terms of how much meal and oil they yield, and the difference in protein content between soymeal and canola meal. It must be noted that the Board crush margin does not take into account fixed and variable costs of a crushing operation, but that information must be incorporated to get a rough indication of the profitability of an individual crushing firm.

The Palmoil Market

The oilseed market is strongly influenced by the palmoil market because of the substitutability between palmoil and other vegoils-soyoil in particular. This relationship takes on additional significance when increases in vegoil prices exceed those for protein meal, as has been the case during the previous year. For example, the average price of soyoil for the twelve month period ending in May 2003 increased by 24%, versus 6% for soymeal. Similarly, the average price of canola oil increased by 35%, versus 2% for canola meal. During the same period, the price of palmoil increased by 38%. Historically, protein meal prices have played a more significant role in determining oilseed prices, and this is especially true for soybeans which yield

80% protein meal by weight.

OUTLOOK

World Oilseed Outlook

For 2003-2004, world production of the 7 major oilseeds is forecast at 351.7 Mt, up from 327.8 Mt in 2002-2003, due largely to increased soybean and canola/rapeseed production. Trade and crush for the major oilseeds are forecast at levels of 75 Mt and 288 Mt, respectively. Carry-out stocks are

CANADA: CANOLA SUPPLY AND DISPOSITION

	2001 -2002	2002 -2003	2003 -2004 ^f
.....thousand tonnes.....			
CANOLA			
Carry-in Stocks	1,088	1,200	750
Production	4,926	3,577	5,930
Imports	<u>226</u>	<u>225</u>	<u>225</u>
Total Supply	6,240	5,002	6,905
Exports	2,524	2,325	3,300
Crush	2,293	2,190	2,450
Other Use	<u>223</u>	<u>N/A ^{1/}</u>	<u>305</u>
Total Use	5,040	N/A ^{1/}	6,055
Carry-out Stocks	1,200	750	850
CANOLA OIL			
Carry-in Stocks	40	30	25
Production	963	920	1,029
Imports	<u>11</u>	<u>12</u>	<u>10</u>
Total Supply	1,014	962	1,064
Exports	500	400	590
Domestic Use	<u>484</u>	<u>537</u>	<u>444</u>
Total Use	984	937	1,034
Carry-out Stocks	30	25	30
CANOLA MEAL			
Carry-in Stocks	43	30	25
Production	1,428	1,364	1,526
Imports	<u>6</u>	<u>7</u>	<u>5</u>
Total Supply	1,477	1,401	1,556
Exports	800	725	990
Domestic Use	<u>647</u>	<u>651</u>	<u>531</u>
Total Use	1,447	1,376	1,521
Carry-out Stocks	30	25	35

^{1/} N/A: not available. Feed, waste and dockage and total domestic use are calculated residually. Based on actual data on exports, crush, and carry-out stocks, it appears that the 2002-2003 Statistics Canada production and/or carry-in stocks estimates for canola may be low, resulting in a smaller than expected residual. If necessary, Statistics Canada will revise the carry-in stocks and/or production estimates in the fall.
f: forecast, AAFC, August 2003
Source: Statistics Canada

HIGH-OLEIC ACID CANOLA

High-oleic acid canola has been developed for health-conscious consumers wishing to limit trans fatty acids and saturated fats in their diet. Cargill Specialty Canola Oils (CSCO) has registered the first hybrid specialty canolas. The two new hybrids, which have a high oleic acid content and are glyphosate resistant, are reported to have a 13% yield advantage over equivalent open-pollinated canola varieties, in addition to providing growers with a premium for high-oleic acid content. Anticipating rapid growth in demand for these specialty canolas, CSCO expects to enter into production contracts as early as 2004. Dow's Nexera/Natreon is also high-oleic. Japan is a target market for high-oleic canola.

forecast to increase by 10%, to 42 Mt.

World Canola/Rapeseed Outlook

World canola/rapeseed production for 2003-2004 is forecast to increase significantly, assuming a return to near normal growing conditions in those areas previously affected by drought. Record high production, forecast at 36.0 Mt, is expected to more than offset low carry-in stocks. The resulting higher supplies are expected to pressure prices in 2003-2004. Exports and crushing activities are expected to increase to more historic levels.

China

For 2003-2004, China's rapeseed production is forecast to increase to 11.6 Mt, from an estimated 10.6 Mt in 2002-2003, largely due to increased seeded area. Demand for rapeoil in China is expected to exceed domestic supply in 2003-2004. As a result, canola/rapeseed imports are forecast at 0.6 Mt, up from 0.15 Mt in 2002-2003.

Australia

For 2003-2004, Australia's canola production is forecast at 2.0 Mt, up from 0.6 Mt in 2002-2003 mainly due to higher seeded yields. As supplies return to near normal levels, exports are forecast at 1.5 Mt, up from 0.5 Mt in 2002-2003.

Genetically Modified (GM) Canola in Australia

Until recently, Australia was officially GM-free, but that has changed and policies with respect to GM canola now vary between states. As a result, there is likely to be a shift in canola production to Victoria, which is the only state with little impediments to growing and selling GM canola. This is in direct contrast to South Australia, Western Australia, and New

South Wales whose governments are considering bans or restrictions on the commercial release of GM canola.

A study by ABARE suggests that the agronomic benefits of GM canola outweigh any disadvantages in terms of limiting market opportunities for Australian canola. The study also acknowledged that GM canola requires fewer herbicides and tends to yield better than non-GM canola.

India

Rapeseed production for 2003-2004 is forecast at 4.6 Mt, up from 3.6 Mt in 2002-2003, but slightly lower than normal due to poor weather conditions in some rapeseed growing areas. Trade in the rapeseed complex will continue to be confined to small amounts of rapeseed oil that are imported and some rapemeal that is exported. However, as the world's second largest consumer of vegoils, India will continue to exert an influence on world oilseed prices. India's vegoil consumption is expected to exceed 11.0 Mt in 2003-2004.

European Union

In the EU, some of the winter rapeseed crops were damaged by frost, affecting yield potential. In Germany, for instance, between 5% to 10% of the crop was damaged by frost, which is considerably more than the 3% damage experienced during an average year. EU rapeseed production for 2003-2004 is forecast at 9.0 Mt, down from 9.3 Mt in 2002-2003 due to lower production in Germany and France. EU rapeseed supplies are forecast to decrease in 2003-2004 due to a combination of low carry-in stocks and decreased production. Increased domestic crush is forecast for the upcoming crop year, and exports are forecast at 0.3 Mt, down from an estimated 0.9 Mt in 2002-2003.

United States

In the US, 2003-2004 canola production is forecast at 750,000 t, up from 706,000 t in 2002-2003, as increased yields are expected to more than offset a 15% decline in seeded area, projected at 1.2 million hectares (Mha). The shift out of canola area is attributed to the following: high input costs associated with canola production; the

WORLD: CANOLA/RAPESEED AND PRODUCTS SUPPLY AND DISPOSITION			
	2001 -2002	2002 -2003e	2003 -2004f
	.....million tonnes.....		
CANOLA/RAPESEED			
Carry-in Stocks	2.67	2.61	1.26
Production			
<i>China</i>	<i>11.33</i>	<i>10.55</i>	<i>11.60</i>
<i>EU</i>	<i>8.85</i>	<i>9.33</i>	<i>9.00</i>
<i>Canada</i>	<i>4.93</i>	<i>3.58</i>	<i>5.93</i>
<i>India</i>	<i>4.50</i>	<i>3.60</i>	<i>4.60</i>
<i>Eastern Europe</i>	<i>2.61</i>	<i>2.35</i>	<i>1.45</i>
<i>Other</i>	<i>3.77</i>	<i>2.31</i>	<i>3.43</i>
Total Production	<u>35.99</u>	<u>31.72</u>	<u>36.01</u>
Total Supply	38.66	34.33	37.27
Crush	33.20	30.98	33.54
Other Use	<u>2.85</u>	<u>2.09</u>	<u>2.44</u>
Total Use	36.05	33.07	35.98
Carry-Out Stocks	2.61	1.26	1.29
Trade	5.84	4.50	5.03
CANOLA/RAPESEED OIL			
Carry-In Stocks	0.76	0.56	0.47
Production	<u>12.62</u>	<u>11.67</u>	<u>12.56</u>
Total Supply	13.38	12.23	13.03
Total Use	12.82	11.76	12.57
Carry-Out Stocks	0.56	0.47	0.46
Trade	1.19	1.06	1.09
CANOLA/RAPESEED MEAL			
Carry-In Stocks	0.33	0.26	0.27
Production	<u>20.07</u>	<u>18.70</u>	<u>20.29</u>
Total Supply	20.40	18.96	20.56
Total Use	20.14	18.69	20.31
Carry-Out Stocks	0.26	0.27	0.25
Trade	1.89	1.77	1.96
e: estimate, AAFC, August 2003			
f: forecast, AAFC, August 2003			
Source: Oil World, USDA, and AAFC			

e: estimate, AAFC, August 2003

f: forecast, AAFC, August 2003

Source: Oil World, USDA, and AAFC

CANADA: CANOLA MARKET DEVELOPMENT

Canola oil accounts for 33% of the North American market for bottled oil and salad dressing, which in turn accounts for about 18% of the 10 Mt of vegetable oils consumed annually. With little growth expected in the bottled oil and salad dressing sector, specialty canola oils are being developed for the massive food processing sector, which has been growing exponentially in recent years.

Canola has long been recognized for its health benefits. On that basis, industry observers expect that one-third of Canada's canola area could be seeded to varieties with special traits within the next five years. The biggest market is the food service and industrial food frying applications, a market in which potato chip manufacturers and full service restaurants are offering customers more healthful alternatives to the hydrogenated oils which have traditionally been used. As an incentive to grow low linolenic and high oleic canola, processors are offering farmers attractive multi-year contracts as a means of ensuring that there are adequate supplies to meet growing demand. Recognizing the increased demand for products aimed at a health-conscious public, ADM has launched a new soybean/canola blend cooking oil to help individuals control their weight. ADM claims that their product, named Enova, is metabolized differently from other cooking oils that have the same caloric and fat content as Enova. The result is that more of the oil is converted into energy rather than being stored as fat. Enova oil was developed by Kao Corporation in Japan and, since being introduced to that market in 1999, has become a top selling cooking oil in Japan. If Enova were to capture 10% of the US vegetable oil market, the demand for canola oil would increase by about 320,000 t, which equates to about 0.8 Mt of canola seed.

expectation of better returns from alternate crops such as flaxseed; the availability of attractive malting barley contracts; and, increased production of soybeans in North Dakota, which has traditionally been the largest canola producing state in the US.

Canada

Canadian canola plantings are expected to increase significantly in 2003-2004 in response to tight stocks, attractive returns realized in the past year, and a good outlook for canola relative to other field crops being considered. Harvested area is forecast at 4.6 Mha, up from 2.9 Mha in 2002-2003, and production is forecast at 5.9 Mt, up from 3.6 Mt in 2002-2003, assuming below trend yields.

The increase in available supplies as a result of higher canola production is expected to encourage a 12% increase in domestic canola crush, forecast at 2.5 Mt in 2003-2004. Similarly, canola exports are expected to increase considerably and are forecast at 3.3 Mt, up from an estimated 2.3 Mt in 2002-2003.

Market Prospects

The major Canadian markets for Canadian canola are Japan, Mexico, China, and the US. Food processors and customers acknowledge the quality benefits of canola oil but, faced with the uncertainty in

supplies, some processors have switched to other vegetable oils. This was largely caused by the significant decrease in supply caused by drought in Canada and Australia and by high canola prices. For some processors, this meant changing labeling to reflect the change in contents. However, in the same way that higher prices effectively rationed world demand for limited supplies of canola, lower canola prices forecast for 2003-2004 are expected to help the canola industry regain most of those markets. In addition, increased consumer awareness of canola's health and nutritional benefits is expected to increase the demand for canola oil.

Prices

For 2003-2004, the price of canola (in-store, Vancouver) is forecast at CAN\$335-365 per tonne (/t), down from CAN\$413/t in 2002-2003, which is the highest level in several years. It must be noted that the Canada-US exchange rate will continue to play an important role in influencing the price of Canadian canola in 2003-2004, as was the case during the 2002-2003 crop year. A stronger Canadian dollar undermines the ability of Canada's canola industry to compete in world markets, and it results in lower returns to Canadian producers.

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CANADA: GRAINS AND OILSEEDS OUTLOOK

August 8, 2003

For 2003-04, total production of grains and oilseeds in Canada is forecast by AAFC at 56 million tonnes (Mt), well above the 42 Mt produced in 2002-03, but below the 10-year average of 58 Mt. The forecast is based on Statistics Canada's June seeded area estimates. In western Canada, production is forecast to increase to 41 Mt from 27 Mt in 2002-03. Yield prospects for most crops have declined over the past month due to a lack of precipitation and above-normal temperatures. Grasshoppers are a significant problem in the drier regions of western Canada. Below-trend yields are projected for all crops, although generally higher than in 2002-03. Normal abandonment is assumed, except for oats and barley, as the use of oats and barley for fodder is reported to be higher than normal due to a shortage of forage in many regions. Wheat quality is expected to be significantly better than last year, and protein content expected to be above normal due to the hot dry growing conditions. Barley protein levels will also likely be higher than normal, but high protein is not desirable in malting barley. Fusarium is not expected to be a problem in wheat or barley. Most areas of western Canada need rain over the next couple of weeks, or yield potential could decline from current projections. In eastern Canada, production is forecast to increase slightly from 2002-03, with yields expected to be near-trend. Total Canadian supplies are forecast to increase considerably as higher production more than offsets low carry-in stocks. Total exports are forecast to increase to 24 Mt from 15 Mt in 2002-03. In general, prices for grains and oilseeds in Canada are expected to decline due to lower world prices and the stronger Canadian dollar.

It has been assumed that the trade disruptions affecting the cattle and beef sector, related to the single case of bovine spongiform encephalopathy (BSE) in Alberta, will be short-lived, and will not have a major impact on feed use in 2003-04.

Average world grain and oilseed prices for 2003-04 are expected to decline from the 2002-03 level due to higher US production. Some offsetting price support has been received due to smaller crops in the EU, Eastern Europe, Ukraine and Russia, with the EU recently suspending all export licenses. The major factors to watch are growing conditions in the major importing and exporting regions, Canada/US trade issues, the aggressiveness of the EU export program, exports from Ukraine and Russia, import demand from China and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2003-04, production is forecast to increase by 46% from 2002-03, to 17.5 Mt, vs the 10-year average of 19.9 Mt. The increase in production will be partly offset by lower carry-in stocks, and total supplies are projected at 22.2 Mt, 29% higher than in 2002-03 but below the 10-year average of 26.4 Mt. Exports are forecast to increase to 11.1 Mt, from only 5.9 Mt in 2002-03, but remain well below the 10-year average of 13.5 Mt. Feed use is expected to rise slightly from 2002-03, to 3.2 Mt, but remain below the 10-year average of 3.6 Mt due to smaller livestock numbers and increased barley supplies. Carry-out stocks are forecast to fall by 9%, to 4.2 Mt, vs the 10-year average of 5.9 Mt, due to a better quality crop and increased exports. The Canadian Wheat Board (CWB) July 2003-04 Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is up by \$1/t from June, at \$183/t, in-store Vancouver/St. Lawrence, \$58/t below the 2002-03 PRO. Ontario winter wheat production is forecast at a record 1.9 Mt. Ontario Wheat Producers' Marketing Board pool returns for No.1 CESRW wheat are projected by AAFC at \$130-140/t, terminal or processor position, \$10/t higher than forecast last month, due to strength on the Chicago futures market.

DURUM

Yield projections have been reduced significantly from last month, due to dryness in southern Saskatchewan, but production is forecast at 4.2 Mt, 12% higher than in 2002-03. Supplies will rise by only 8%, to 5.7 Mt, vs. the 10-year average of 6.2 Mt, due to a drop in carry-in stocks. Exports are forecast to increase by 13%, to 3.4 Mt, but remain below the 10-year average of 3.6 Mt, largely due to weak world demand for durum wheat resulting from good crops in North Africa. Carry-out stocks are projected to decline by 7%, to 1.4 Mt, vs. the 10-year average of 1.7 Mt. The CWB July PRO for No.1 CWAD 11.5% protein is up by \$3/t from June, at \$196/t, due to lower production prospects in the EU and North America, but this remains \$71/t below 2002-03

and the lowest since 1992-93. The forecast premium for No.1 CWAD 11.5% over No.1 CWRS 11.5% is \$13/t, compared to \$26/t in 2002-03.

BARLEY

Production is forecast to increase by 68% due to higher expected harvested area and yields. This is partly offset by sharply lower carry-in stocks, and supplies are expected to rise by 43%. Exports of malting barley are expected to increase significantly while feed barley exports remain historically low, although higher than in 2002-03. Lower cattle inventories are expected to reduce 2003-04 feed demand for barley. However, feed use is expected to be higher than 2002-03 as barley displaces imports of US corn in western Canada. Carry-out stocks are forecast to increase slightly. Off-Board feed barley prices are expected to decrease sharply. The CWB PRO for No.1 CW Feed barley is \$125/t vs the 2002-03 PRO of \$158/t. The CWB PRO for Special Select Two Row designated barley is \$194/t, vs \$241/t in 2002-03, largely due to increased supplies in North America and Australia.

OATS

Production and supplies are forecast to increase by 30% due to higher expected harvested area and yields. Exports, mainly to the US, are expected to rise significantly due to larger supplies and reduced competition from Sweden and Finland. Carry-out stocks are expected to rise significantly. Prices are forecast to fall sharply, largely due to increased production in Canada and the US and the stronger Canadian dollar. The premium for oats over corn is expected to fall significantly.

CORN

Production is forecast to decline as both harvested area and yields are expected to decrease. Imports are expected to fall by about 50% to 2.0 Mt, mainly due to higher barley production in western Canada. Feed use of corn is expected to decline significantly, as a result of reduced imports, larger supplies of barley and

lower cattle inventories. Carry-out stocks are forecast to increase. Chatham corn prices are forecast to decrease by 18% due to lower US prices and the stronger Canadian dollar.

CANOLA

Production is forecast to increase by 66% due to higher expected harvested area and yields. Supplies are forecast to increase by only 38% due to lower carry-in stocks. Domestic crush and exports are expected to rise by 12% and 42%, respectively. Carry-out stocks are forecast to increase from 2002-03. The average price is expected to fall to \$335-365/t due to higher Canadian and world canola/rapeseed production and the stronger Canadian dollar.

FLAXSEED (excluding solin)

Production is forecast to increase by 18%, due to higher expected harvested area and yields. Supplies are forecast to rise by only 8% due to lower carry-in stocks. Exports are forecast to increase slightly due to increased supplies. Carry-out stocks are expected to increase significantly, pressuring average prices, which are forecast at \$325-355/t.

SOYBEANS

Production is forecast to increase by 10% due to higher expected harvested area and yields. Supplies are expected to rise by 8%. Domestic use is expected to rise slightly, while exports increase by 14% due to higher supplies. Prices are forecast to fall to \$230-260/t due to lower US soybean prices related to higher world production and the stronger Canadian dollar.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

August 8, 2003

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use	Feed, Waste & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes-----											
Durum											
2001-2002	2,036	1.47	2,987	12	5,872	3,628	249	213	699	1,545	260.43
2002-2003p	2,185	1.70	3,714	6	5,265	3,000	280	245	765	1,500	267 *
2003-2004f	2,445	1.70	4,165	10	5,675	3,400	280	395	875	1,400	196 *
Wheat Except Durum											
2001-2002	8,550	2.06	17,581	85	24,459	12,578	2,792	3,293	6,877	5,004	207.16
2002-2003p	6,428	1.86	11,976	177	17,157	5,900	2,835	3,042	6,657	4,600	241 *
2003-2004f	7,950	2.20	17,500	50	22,150	11,100	2,865	3,175	6,850	4,200	183 *
All Wheat											
2001-2002	10,585	1.94	20,568	97	30,331	16,206	3,041	3,506	7,576	6,549	
2002-2003p	8,613	1.82	15,690	183	22,422	8,900	3,115	3,287	7,422	6,100	
2003-2004f	10,395	2.08	21,665	60	27,825	14,500	3,145	3,570	7,725	5,600	
Barley											
2001-2002	4,150	2.61	10,846	112	13,473	1,772	306	9,048	9,803	1,898	158.60
2002-2003p	3,267	2.23	7,282	270	9,450	900	270	6,590	7,300	1,250	170
2003-2004f	4,515	2.71	12,220	50	13,520	2,750	320	8,715	9,470	1,300	105-135
Corn											
2001-2002	1,267	6.62	8,389	3,844	13,113	193	2,285	9,544	11,864	1,056	132.90
2002-2003f	1,288	7.04	9,064	4,000	14,120	340	2,425	10,600	13,060	720	140-150
2003-2004f	1,240	6.88	8,525	2,000	11,245	250	2,500	7,560	10,095	900	105-135
Oats											
2001-2002	1,238	2.17	2,691	53	3,598	1,409	147	1,479	1,826	363	202.19
2002-2003p	1,298	2.12	2,750	20	3,133	1,100	140	1,195	1,533	500	194
2003-2004f	1,634	2.19	3,575	5	4,080	1,625	150	1,345	1,705	750	105-135
Rye											
2001-2002	123	1.85	228	4	309	62	39	144	198	49	
2002-2003p	77	1.74	134	2	185	55	38	40	100	30	
2003-2004f	144	2.08	300	5	335	80	52	140	210	45	
Mixed Grains											
2001-2002	159	2.80	447	0	447	0	0	447	447	0	
2002-2003p	132	2.73	360	0	360	0	0	360	360	0	
2003-2004f	144	2.82	405	0	405	0	0	405	405	0	
Total Coarse Grains											
2001-2002	6,937	3.26	22,600	4,013	30,939	3,436	2,777	20,662	24,138	3,366	
2002-2003f	6,062	3.23	19,590	4,292	27,248	2,395	2,873	18,785	22,353	2,500	
2003-2004f	7,677	3.26	25,025	2,060	29,585	4,705	3,022	18,165	21,885	2,995	
Canola											
2001-2002	3,765	1.31	4,926	226	6,240	2,524	2,293	188	2,516	1,200	357.45
2002-2003p	2,857	1.25	3,577	223	5,000	2,325	2,190	n/a**	n/a**	750	413
2003-2004f	4,570	1.30	5,930	225	6,905	3,300	2,450	260	2,755	850	335-365
Flaxseed (excluding Solin)											
2001-2002	662	1.08	715	24	998	618	n/a	n/a	205	175	319.77
2002-2003p	633	1.07	679	25	879	580	n/a	n/a	174	125	403
2003-2004f	725	1.10	800	20	945	615	n/a	n/a	190	140	325-355
Soybeans											
2001-2002	1,069	1.53	1,635	982	2,803	501	n/a	n/a	2,129	173	269.01
2002-2003f	1,024	2.28	2,335	575	3,083	700	n/a	n/a	2,218	165	300-310
2003-2004f	1,040	2.46	2,560	600	3,325	800	n/a	n/a	2,340	185	230-260
Total Oilseeds											
2001-2002	5,495	1.32	7,277	1,233	10,041	3,643	n/a	n/a	4,850	1,548	
2002-2003f	4,514	1.46	6,592	823	8,962	3,605	n/a	n/a	n/a	1,040	
2003-2004f	6,335	1.47	9,290	845	11,175	4,715	n/a	n/a	5,285	1,175	
Total Grains And Oilseeds											
2001-2002	23,018	2.19	50,444	5,343	71,311	23,285	n/a	n/a	36,564	11,462	
2002-2003f	19,189	2.18	41,871	5,298	58,632	14,900	n/a	n/a	n/a	9,640	
2003-2004f	24,407	2.29	55,980	2,965	68,585	23,920	n/a	n/a	34,895	9,770	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products. (c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use. For flaxseed and soybeans, food/industrial use and feed/waste/dockage are included in the total domestic use, but are not reported due to data confidentiality.

(e) Crop year average prices: No.1 CWRS 11.5% and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* July 2003 CWB Pool Return Outlook (PRO).

** Feed, waste and dockage and total domestic use are calculated residually. Based on actual data on exports, human food, industrial use and carry-out stocks, it appears that the 2002-03 Statistics Canada (STC) production and/or carry-in stocks estimates for canola may be low, resulting in a smaller than expected residual. If necessary, STC will revise the carry-in stocks and/or production estimates in the fall.

p - Preliminary figures

f: Agriculture and Agri-Food Canada forecast, August 8, 2003

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

August 8, 2003

For 2003-04, total Canadian pulse and special crops seeded area decreased by 7%, according to Statistics Canada's (STC) seeded area survey, conducted from May 26 to June 5, 2003 and released on June 26. Higher seeded areas for dry peas, mustard seed and sunflower seed were more than offset by lower areas for lentils, dry beans, chick peas, canary seed and buckwheat. Although crop conditions in western Canada have deteriorated during the past month, due to hot and dry weather and insects, the overall crop condition is better than a year ago for dry peas, lentils, chick peas, mustard seed and canary seed, and similar for dry beans, sunflower seed and buckwheat. For most crops in western Canada, yields are forecast to be below trend, due to delayed seeding, hot and dry weather and insect damage, but higher than in 2002-03. Rain is needed for late crops such as dry beans, sunflower seed and buckwheat, as well as later seeded fields of other crops. However, the harvest has started for dry peas and lentils, and is expected to start for chick peas, mustard seed and canary seed in mid-August and, for these crops, dry weather is needed to maintain quality. For eastern Canada, trend yields are assumed. For both eastern and western Canada, it has been assumed that precipitation will be normal for the rest of the growing period and during harvest, and that crop abandonment and crop quality will be near normal.

For 2003-04, total pulse and special crops production is forecast to increase by 33%, compared to 2002-03, to 3.69 million tonnes (Mt). However, total supply is expected to increase by only 16% because of lower carry-in stocks. Total exports and domestic use are forecast to increase due to higher supply and strong demand, resulting in slightly lower carry-out stocks. Average prices, over all grades and markets, are forecast to increase from 2002-03 for dry beans, chick peas and buckwheat, but decrease for dry peas, lentils, mustard seed, canary seed and sunflower seed. However, prices are expected to be very sensitive to any production problems due to low world carry-in stocks. The main factors to watch will be precipitation during the remainder of the growing period and during harvest in Canada, the exchange rate of the Canadian dollar against the US dollar and other currencies, and growing and harvest conditions in major producing countries.

DRY PEAS

For 2003-04, production and supply are forecast to increase significantly, with a marginally higher seeded area, lower abandonment and higher yields. Production is expected to increase for yellow, green and other types. World supply is expected to increase by 8% to 11.1 Mt, but this is expected to be mostly offset by higher consumption, especially for livestock feed. Canadian exports and domestic use are forecast to increase, with a larger portion going into the feed market. Carry-out stocks are forecast to be the same as in 2002-03, with a stocks-to-use (s/u) ratio of 7%. The average price, over all types, grades and markets, is forecast to decrease due to the higher world supply.

LENTILS

Production and supply are forecast to increase significantly, as an 8% decrease in seeded area is more than offset by lower abandonment and higher yields. Production is expected to increase for large, medium and small green, red and other types. World supply is expected to decrease slightly to 3.25 Mt. Canadian exports are expected to increase, as Canada's share of world supply rises. Carry-out stocks are forecast to remain low. The average price, over all types and grades, is forecast to fall slightly due to the higher Canadian supply.

DRY BEANS

Production and supply are forecast to decrease significantly, due mainly to a 33% decrease in seeded area. Production is expected to decrease for white pea, pinto, red kidney, pink, small red, cranberry and black beans, but increase slightly for Great Northern beans. Exports are forecast to decrease, due to lower supply, and carry-out stocks are expected to decrease to a low level. US production and supply are also expected to decrease significantly due to a 21% decrease in seeded area. The average price, over all classes

and grades, is forecast to increase due to the lower supply.

CHICK PEAS

Production and supply are forecast to fall sharply due to a 72% decrease in seeded area, which is partly offset by lower abandonment. Seeded area fell sharply due to the high risk of production, especially for the kabuli type, relative to expected prices. Production is expected to decrease for all types, desi, large kabuli and small kabuli. World supply is expected to increase slightly to 7.75 Mt. Canadian exports are forecast to decrease sharply due to lower supply. Carry-out stocks are forecast to decrease to a low level. The average price, over all types, sizes and grades, is forecast to increase due to lower supply and expected higher quality in Canada.

MUSTARD SEED

Production and supply are forecast to increase significantly due to a 21% increase in seeded area, lower abandonment and higher yields. Production is expected to increase for all types, yellow, brown and oriental. US production, nearly all the yellow type, is forecast to decrease due to a 50% decrease in seeded area. Canadian exports are expected to increase because of the higher supply. Carry-out stocks are forecast to increase, with a s/u ratio of 33%. The average price, over all types and grades, is forecast to decrease because of higher supply.

CANARY SEED

Production and supply are forecast to increase significantly, as a 9% decrease in seeded area is more than offset by lower abandonment and higher yields. World supply is forecast to increase by 13% to 280,000 t. Canadian exports are expected to increase, because of higher supply. Carry-out stocks are forecast to increase, with a s/u ratio of 10%. The average price is forecast to decrease because of increased supply.

SUNFLOWER SEED

Production and supply are forecast to increase moderately due to a 20% increase in seeded area. A small decrease in production is expected for the confectionary type and a significant increase in production is expected for the oilseed type. World supply is expected to increase by 10% to 26.9 Mt, due to higher production of the oilseed type. Total US and Canadian supply of the confectionary type is expected to decrease, while the total supply of the oilseed type increases. Canadian exports and domestic use are expected to increase due to the higher supply and strong demand. Carry-out stocks are forecast to be the same as for 2002-03, with a s/u ratio of 10%. Lower total US and Canadian supply is expected to support prices for the confectionary type, while higher world supply is expected to pressure prices for the oilseed type. The average price, over both types and all grades, is forecast to decrease due to the higher oilseed type supply.

BUCKWHEAT

Production and supply are forecast to decrease, as a 23% drop in seeded area is only partly offset by higher yields. World supply is forecast to decrease by 4% to 2.56 Mt. Canadian exports are expected to remain stable, and stocks are forecast to decrease to a negligible level. The average price, over all grades and markets, is forecast to increase due to the lower supply.

FURTHER INFORMATION:

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

August 8, 2003

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----									
Dry Peas									
1999-2000	835	2.70	2,252	12	2,639	1,417	822	400	135
2000-2001	1,220	2.35	2,864	12	3,276	2,196	885	195	138
2001-2002	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003p	1,050	1.30	1,365	40	1,680	900	630	150	210
2003-2004f	1,220	1.76	2,150	30	2,330	1,400	780	150	145-175
Lentils									
1999-2000	497	1.46	724	10	794	503	211	80	380
2000-2001	688	1.33	914	5	999	475	268	256	295
2001-2002	664	0.85	566	6	828	478	219	131	320
2002-2003p	387	0.91	354	8	493	335	148	10	390
2003-2004f	520	1.06	550	5	565	395	160	10	360-390
Dry Beans									
1999-2000	154	1.91	294	41	360	260	60	40	500
2000-2001	162	1.65	268	40	348	227	71	50	465
2001-2002	175	1.70	298	42	390	263	97	30	725
2002-2003p	219	1.89	414	35	479	310	114	55	445
2003-2004f	150	1.77	265	35	355	260	85	10	535-565
Chick Peas									
1999-2000	139	1.42	197	5	207	56	136	15	390
2000-2001	283	1.37	388	5	408	179	199	30	410
2001-2002	467	0.97	455	12	497	147	210	140	380
2002-2003p	154	1.01	156	10	306	125	131	50	300
2003-2004f	60	1.00	60	15	125	60	60	5	340-370
Mustard Seed									
1999-2000	273	1.12	306	1	357	170	72	115	285
2000-2001	208	0.97	202	1	318	151	62	105	280
2001-2002	158	0.66	105	3	213	171	9	33	685
2002-2003p	255	0.60	154	9	196	145	26	25	600
2003-2004f	335	0.81	270	3	298	170	53	75	380-410
Canary Seed									
1999-2000	146	1.14	166	0	276	157	29	90	240
2000-2001	164	1.04	171	0	261	170	21	70	265
2001-2002	163	0.70	114	0	184	134	20	30	660
2002-2003p	214	0.77	164	0	194	160	24	10	585
2003-2004f	240	0.88	210	0	220	165	35	20	350-380
Sunflower Seed									
1999-2000	79	1.54	122	19	145	49	55	41	295
2000-2001	69	1.72	119	18	178	77	55	46	320
2001-2002	67	1.55	104	30	180	92	66	22	355
2002-2003p	95	1.65	157	20	199	105	74	20	440
2003-2004f	114	1.58	180	15	215	115	80	20	405-435
Buckwheat									
1999-2000	13	1.00	13	1	16	8	7	1	305
2000-2001	15	0.93	14	1	16	9	7	0	305
2001-2002	14	1.14	16	1	17	6	8	3	325
2002-2003p	12	1.00	12	1	16	7	7	2	340
2003-2004f	9	1.11	10	1	13	7	6	0	335-365
Total Pulse And Special Crops(c)									
1999-2000	2,136	1.91	4,074	89	4,794	2,620	1,392	782	
2000-2001	2,809	1.76	4,940	82	5,804	3,484	1,568	752	
2001-2002	2,993	1.23	3,681	121	4,554	2,672	1,218	664	
2002-2003p	2,386	1.16	2,776	123	3,563	2,087	1,154	322	
2003-2004f	2,648	1.40	3,695	104	4,121	2,572	1,259	290	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

p - preliminary

f: forecast, Agriculture and Agri-Food Canada, August 8, 2003

Source: Statistics Canada and industry consultations.

PRAIRIE GRAINS							
Selected Points		Price Basis		This week 11-Aug-03	Last week 28-Jul-03	Month ago 14-Jul-03	Year ago 12-Aug-02
From: Thunder Bay(WCE) (2)		In-Store	Wheat	126.30	121.50	130.90	178.50
(CBOT)			Oat	138.00	131.50	156.00	N/A
(Lethbridge)			Barley	123.00	123.00	131.00	188.50
To: Bayport, ON	(1)	In-store	Wheat	149.91	145.11	154.51	201.60
			Oat	N/A	N/A	N/A	N/A
			Barley	150.39	150.39	158.39	215.35
Montreal, QC	(1)	In-store	Wheat	154.33	149.53	158.93	206.35
			Oat	N/A	N/A	N/A	N/A
			Barley	155.31	155.31	163.31	220.47
Moncton, NB		Truck via Halifax	Wheat	176.55	171.75	181.15	228.82
			Oat	N/A	N/A	N/A	N/A
			Barley	179.50	179.50	187.50	246.83
Truro, NS		Truck via Halifax	Wheat	170.52	165.72	175.12	226.32
			Oat	N/A	N/A	N/A	N/A
			Barley	177.00	177.00	185.00	241.95
Halifax, NS	(1)	In-store	Wheat	161.58	156.78	166.18	213.65
			Oat	N/A	N/A	N/A	N/A
			Barley	163.30	163.30	171.30	228.27
Stephenville, NL		Track / Truck via Sydney	Wheat	224.93	220.13	229.53	273.43
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	295.34
Melfort, SK			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
Truro, NS			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
Selected Points		Price Basis		This week 11-Aug-03	Last week 28-Jul-03	Month ago 14-Jul-03	Year ago 12-Aug-02
Corn							
From: US Lake Port		On Board Vessel		130.98	126.29	129.61	164.19
To: Montreal, QC	(1)	In-store		150.02	145.33	148.65	183.09
From: Chicago (Mi)		Track		126.59	118.67	116.07	161.09
To: Montreal, QC		Track		155.45	147.53	144.93	190.12
From: Chatham, ON		Track		144.28	141.13	143.59	163.48
To: Montreal, QC		Track		168.08	164.93	167.39	186.86
Soymeal 48% Protein							
From: Hamilton, ON				287.15	294.76	311.07	341.71
To: Montreal, QC		Track		311.48	319.09	335.40	366.13
Moncton, NB		Track		330.23	337.84	354.15	389.34
Truro, NS		Track		333.45	341.06	357.37	388.17
Stephenville, NL		Track / Truck via Sydney		382.08	389.69	406.00	436.97

1. Prices include ONE month of storage and interest charges n/a = not available
2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Market Analysis Division, Agriculture and Agri-Food Canada
Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.
Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.
Replacement values reflect quoted cash prices at

PRAIRIE GRAINS							
Selected Points		Price Basis		This week 11-Aug-03	Last week 28-Jul-03	Month ago 14-Jul-03	Year ago 12-Aug-02
From: Thunder Bay(WCE) (2)		In-Store	Wheat	126.30	121.50	130.90	178.50
(CBOT)			Oat	138.00	131.50	156.00	N/A
(Lethbridge)			Barley	123.00	123.00	131.00	188.50
To: Bayport, ON	(1)	In-store	Wheat	149.91	145.11	154.51	201.60
			Oat	N/A	N/A	N/A	N/A
			Barley	150.39	150.39	158.39	215.35
Montreal, QC	(1)	In-store	Wheat	154.33	149.53	158.93	206.35
			Oat	N/A	N/A	N/A	N/A
			Barley	155.31	155.31	163.31	220.47
Moncton, NB		Truck via Halifax	Wheat	176.55	171.75	181.15	228.82
			Oat	N/A	N/A	N/A	N/A
			Barley	179.50	179.50	187.50	246.83
Truro, NS		Truck via Halifax	Wheat	170.52	165.72	175.12	226.32
			Oat	N/A	N/A	N/A	N/A
			Barley	177.00	177.00	185.00	241.95
Halifax, NS	(1)	In-store	Wheat	161.58	156.78	166.18	213.65
			Oat	N/A	N/A	N/A	N/A
			Barley	163.30	163.30	171.30	228.27
Stephenville, NL		Track / Truck via Sydney	Wheat	224.93	220.13	229.53	273.43
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	295.34
Melfort, SK			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
Truro, NS			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
Selected Points		Price Basis		This week 11-Aug-03	Last week 28-Jul-03	Month ago 14-Jul-03	Year ago 12-Aug-02
Corn							
From: US Lake Port		On Board Vessel		130.98	126.29	129.61	164.19
To: Montreal, QC	(1)	In-store		150.02	145.33	148.65	183.09
From: Chicago (Mi)		Track		126.59	118.67	116.07	161.09
To: Montreal, QC		Track		155.45	147.53	144.93	190.12
From: Chatham, ON		Track		144.28	141.13	143.59	163.48
To: Montreal, QC		Track		168.08	164.93	167.39	186.86
Soymeal 48% Protein							
From: Hamilton, ON				287.15	294.76	311.07	341.71
To: Montreal, QC		Track		311.48	319.09	335.40	366.13
Moncton, NB		Track		330.23	337.84	354.15	389.34
Truro, NS		Track		333.45	341.06	357.37	388.17
Stephenville, NL		Track / Truck via Sydney		382.08	389.69	406.00	436.97

1. Prices include ONE month of storage and interest charges

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada

B. CASH PRICES AND REPLACEMENT VALUES

July 28, 2003

PRAIRIE GRAINS

Selected Points	Price Basis		This week 28-Jul-03	Last week 14-Jul-03	Month ago 30-Jun-03	Year ago 29-Jul-02
From: Thunder Bay(WCE) (2)	In-Store	Wheat	121.50	130.90	153.00	180.80
(CBOT)		Oat	131.50	156.00	152.25	N/A
(Lethbridge)		Barley	123.00	131.00	140.50	182.00
To: Bayport, ON (1)	In-store	Wheat	145.11	154.51	176.61	203.90
		Oat	N/A	N/A	N/A	N/A
		Barley	150.39	158.39	167.89	209.15
Montreal, QC (1)	In-store	Wheat	149.53	158.93	181.03	208.65
		Oat	N/A	N/A	N/A	N/A
		Barley	155.31	163.31	172.81	214.27
Moncton, NB	Truck via Halifax	Wheat	171.75	181.15	203.25	231.12
		Oat	N/A	N/A	N/A	N/A
		Barley	179.50	187.50	197.00	240.63
Truro, NS	Truck via Halifax	Wheat	165.72	175.12	197.22	228.62
		Oat	N/A	N/A	N/A	N/A
		Barley	177.00	185.00	194.50	235.25
Halifax, NS (1)	In-store	Wheat	156.78	166.18	188.28	215.95
		Oat	N/A	N/A	N/A	N/A
		Barley	163.30	171.30	180.80	222.07
Stephenville, NL	Track / Truck via Sydney	Wheat	220.13	229.53	251.63	275.73
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	289.14
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 28-Jul-03	Last week 14-Jul-03	Month ago 30-Jun-03	Year ago 29-Jul-02
Corn						
From: US Lake Port	On Board Vessel		126.29	134.46	136.21	159.27
To: Montreal, QC (1)	In-store		145.33	153.50	155.25	178.17
From: Chicago (Mi)	Track		118.67	126.69	128.24	157.39
To: Montreal, QC	Track		147.53	155.55	157.10	186.42
From: Chatham, ON	Track		141.13	147.51	151.57	157.87
To: Montreal, QC	Track		164.93	171.31	175.37	181.25

Soymeal 48% Protein

From: Hamilton, ON			294.76	303.46	321.87	345.90
To: Montreal, QC	Track		319.09	327.79	346.20	370.32
Moncton, NB	Track		337.84	346.54	364.95	393.53
Truro, NS	Track		341.06	349.76	368.17	392.36
Stephenville, NL	Track / Truck via Sydney		389.69	398.39	416.80	441.16

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

July 14, 2003

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	July 14, 2003	FOB	228.16	N/A	160.00	173.50		338.00	208.00	145.00	N/A	900.00	440.00					350.00
BC	(4) (7) July 7, 2003		228.16	N/A	160.00	173.50		331.00	208.00	145.00		900.00	470.00					370.00
Calgary	July 14, 2003	FOB	180.00	N/A	160.00	155.00		328.50	N/A		200.00	950.00	485.00					370.00
AB	(4) July 7, 2003		180.00	N/A	160.00	157.00		321.50	N/A		200.00	950.00	485.00					370.00
Saskatoon	July 14, 2003	FOB	162.50	167.50	146.00	174.00		316.67	235.00		200.00	N/A	485.00			158.33		420.00
SK	(4) July 7, 2003		162.50	167.50	146.00	174.00		314.00	235.00		200.00	N/A	485.00			158.33		420.00
Melfort	July 14, 2003	FOB																
SK	July 7, 2003																	
Winnipeg	July 14, 2003	FOB	155.00	146.00	145.00	137.00		307.00	235.00		290.00	925.00	480.00					430.00
MB	(4) (9) July 7, 2003		168.50	146.00	151.50	149.00		303.00	235.00		290.00	925.00	480.00					430.00
Thunder Bay	July 14, 2003	In-Store	133.95	N/A	140.00													
ON	(8) July 7, 2003		154.00	N/A	143.00													
Lake Ports	July 14, 2003	On Board				135.44												
USA	(3) July 7, 2003	Vessel				141.92												
Bay Ports	July 14, 2003	In-Store	162.90	280.00	N/A													
ON	July 7, 2003		191.00	260.00	N/A													
Chatham	July 14, 2003	Track				147.83												
ON	July 7, 2003					153.04												
Toronto	July 14, 2003	N/A					FOB				234.00	N/A	450.00	380.00	113.00		280.00	300.00
ON	(5) July 7, 2003										246.00	N/A	450.00	380.00	113.00		285.00	300.00
Hamilton	July 14, 2003	N/A						311.07	N/A									
ON	July 7, 2003							316.47	N/A									
Eastern	July 14, 2003	FOB				160.12												
ON	July 7, 2003					160.12												
London	July 14, 2003	FOB								92.50				380.00	113.00			
ON	July 7, 2003									93.00				380.00	113.00			
Port Colborne	July 14, 2003	FOB												380.00	113.00			
ON	July 7, 2003													380.00	113.00			
Cardinal	July 14, 2003	FOB																
ON	July 7, 2003																	
Montreal	July 14, 2003		N/A	N/A	N/A	N/A		327.02	235.84	109.00	234.00	850.00	309.00	380.00	113.00		270.00	320.00
QC	(5) July 7, 2003		N/A	N/A	N/A	N/A	FOB	321.88	235.47	100.67	251.00	850.00	331.00	380.00	113.00		270.00	300.00
Trois-Rivières	July 14, 2003	In-Store	176.00		159.40	149.60												
QC	July 7, 2003		176.00		159.40	149.60												
St. Jean QC	(2) July 14, 2003	FOB	187.07	202.89	148.66	149.00		318.00										
St. Hyacinthe QC	July 7, 2003		183.64	209.59	160.32	151.79		323.33										
Quebec	July 14, 2003	In-Store	195.33	N/A	149.84	324.44												
QC	July 7, 2003		202.33	N/A	189.51	153.14		320.03										
Truro	July 14, 2003	Track	202.28	230.00	181.57	189.14		355.82	246.86		266.80		465.00					300.00
NS	July 7, 2003		215.33	230.00	194.27	191.89	FOB	349.10	253.15		266.80		465.00					300.00
Truro	July 14, 2003	Walter	N/A	N/A	N/A	N/A												
NS	July 7, 2003	& Truck	N/A	N/A	N/A	N/A												
Halifax	July 14, 2003	In-Store	N/A	N/A	N/A	N/A				297.50		1,050.00	270.00					
NS	(6) July 7, 2003		N/A	N/A	N/A	N/A				297.50		1,050.00	270.00					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: Corinne Bruneau A/Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: pelletierdm@agr.gc.ca
 N/A = not available
 US\$1.00=CAN\$1.3761, closing date July 11, 2003

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
 Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley Cash Price WCE (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

July 14, 2003

PRAIRIE GRAINS

Selected Points	Price Basis		This week 14-Jul-03	Last week 30-Jun-03	Month ago 16-Jun-03	Year ago 15-Jul-02
From: Thunder Bay(WCE) (2)	In-Store	Wheat	130.90	153.00	144.90	187.40
(CBOT)		Oat	156.00	152.25	150.75	N/A
(Lethbridge)		Barley	131.00	140.50	150.00	173.20
To: Bayport, ON (1)	In-store	Wheat	154.51	176.61	168.51	210.50
		Oat	N/A	N/A	N/A	N/A
		Barley	158.39	167.89	177.39	200.35
Montreal, QC (1)	In-store	Wheat	158.93	181.03	172.93	215.25
		Oat	N/A	N/A	N/A	N/A
		Barley	163.31	172.81	182.31	205.47
Moncton, NB	Truck via Halifax	Wheat	181.15	203.25	195.15	237.72
		Oat	N/A	N/A	N/A	N/A
		Barley	187.50	197.00	206.50	231.83
Truro, NS	Truck via Halifax	Wheat	175.12	197.22	189.12	235.22
		Oat	N/A	N/A	N/A	N/A
		Barley	185.00	194.50	204.00	226.95
Halifax, NS (1)	In-store	Wheat	166.18	188.28	180.18	222.55
		Oat	N/A	N/A	N/A	N/A
		Barley	171.30	180.80	190.30	213.27
Stephenville, NL	Track / Truck via Sydney	Wheat	229.53	251.63	243.53	282.33
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	280.34
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 14-Jul-03	Last week 30-Jun-03	Month ago 16-Jun-03	Year ago 15-Jul-02
Corn						
From: US Lake Port	On Board Vessel		135.44	136.21	142.38	140.06
To: Montreal, QC (1)	In-store		154.48	155.25	161.42	158.96
From: Chicago (Mi)	Track		127.31	128.24	134.32	137.05
To: Montreal, QC	Track		156.17	157.10	163.18	166.08
From: Chatham, ON	Track		147.83	151.57	152.26	148.61
To: Montreal, QC	Track		171.63	186.83	176.06	171.99

Soymeal 48% Protein

From: Hamilton, ON			311.07	317.02	320.55	338.96
To: Montreal, QC	Track		335.40	341.35	344.88	363.38
Moncton, NB			354.15	360.10	363.63	386.59
Truro, NS	Track		357.37	363.32	366.85	385.42
Stephenville, NL	Track / Truck via Sydney		406.00	411.95	415.48	434.22

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Doris Pelletier, A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: pelletierdm@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

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Agriculture and
Agri-Food CanadaAgriculture et
Agroalimentaire Canada

Bi-weekly Bulletin

August 29, 2003 Volume 16 Number 15

IRAN: SITUATION AND OUTLOOK

Iran is currently one of the world's largest net importers of agricultural products, importing 30-50% of its requirements. Rapid population growth and higher disposable income are expected to increase the demand for food over the medium and long-term. Trade missions between Canada and Iran have succeeded in creating opportunities over the medium and long-term in agricultural imports, particularly for canola and canola oil. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for Iran's agricultural sector and prospects for trade with Canada.

Background

The Islamic Republic of Iran is a growing market that maintains an important trade relationship with Canada. Although the country's economy has struggled since the late 1980s, progress has occurred in economic diversification and social modernization. Governed by Islamic principles, the government, led by Mohammed Khatami, who secured a final term in June of 2001, is supporting debt reduction, economic liberalization, and the promotion of trade.

Economy

The population of Iran, estimated at 70 million, is growing at an annual rate of

about 0.7%. Iran's gross domestic product (GDP) is estimated at US\$115 billion, which equates to about US\$1,640 per person. The services sector accounts for 39% of Iran's economic activity, followed by agriculture at 25%, and manufacturing and mining at 22%. Iran's economy is heavily reliant on oil revenues. Oil accounts for about 80% of the value of its annual exports.

The Iranian government has made debt reduction one of its top priorities to improve access to longer term financing, as Iran had to reschedule much of its foreign debt in 1992.

Banks have expanded their lending to the private sector and public enterprises, the trade regime has been further liberalized, and a program has been adopted to replace non-tariff trade barriers with tariffs.

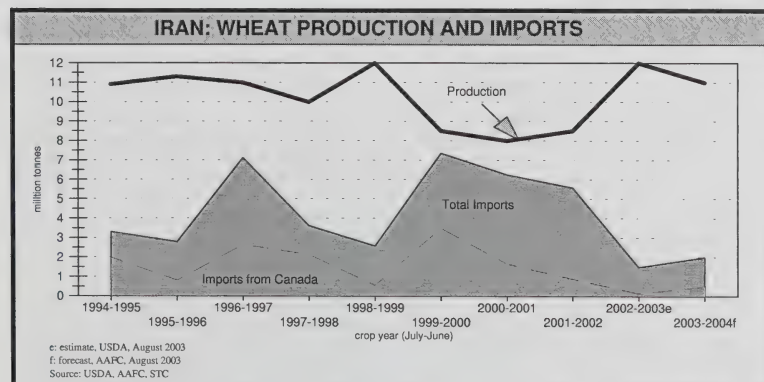
Although traditionally an agricultural society, Iran has achieved significant industrialization and economic modernization in the past 20 years. The economy is a mixture of central planning and private ownership, with the state governing the oil industry and other large enterprises. The government manages the economy through five year plans.

Agriculture

Though in decline, the agricultural sector is a significant contributor to the GDP and employment in Iran.

Iran's agricultural sector accounts for 25% of the gross national product, 23% of job creation, 21% of non-oil exports, 80% of domestically needed foodstuffs and 90% of the raw materials used in food processing plants.

Geographically, Iran has a total area of 1.65 million square kilometres (about 165 million hectares (Mha), of which 7.5% is suitable for agriculture. The climatic



conditions in much of Iran are typical of arid and semi-arid regions, while the Caspian coast is subtropical. Both tropical and cool-season crops - such as dates, pistachios, sugarcane, rice, apples, cherries, walnuts, etc. - are extensively cultivated. However, much of the arable land is devoted to growing wheat and barley, which are staple foods and the main sources of protein for the average Iranian. Wheat alone covers about 60%, while various fruits account for 15% of the total irrigated land in Iran (2000 estimate).

Two farming systems - man-made irrigation and non-irrigated (rain-fed) - are primarily used in different parts of the country, and the area devoted to each system varies considerably depending on agro-climatic conditions.

Non-irrigated production is most successful in western and northwestern Iran, as well as the lowlands along the Caspian coast. In the central plateau, as well as the southern plains and the southern coastal areas of Iran, crop production is mostly possible only with irrigation, due to low rainfall and high evaporation rates. In some low-lying plains in the central plateau, the annual rainfall is about 50 millimetres (mm) while the annual evaporation may exceed 4,000 mm. The country-wide average precipitation is about 250 mm a year.

Approximately 11% of the country's total area is used for crop production. Of this, about 10.2 Mha is cultivated (irrigated and non-irrigated), while nearly 5.8 Mha is left as fallow every year. An estimated 32 Mha of unused land are potentially suitable for

crop production, but a shortage of water limits their agricultural role. More than half of the country consists of rangeland (generally of low to medium productivity), wasteland, and mountains. Sand dunes, salt flats, and other non-productive land, found mostly in the central plateau and the southern coastal areas, comprise 11.6 Mha. Due to relatively small area available for crop production, Iran is working towards increasing its agricultural efficiency. To increase its efficiency, the agriculture sector of Iran is attempting to improve its

mechanization. Iran's rate of mechanization is about 0.5 horsepower per acre (hp/ac.), much lower than the 30 hp/ac average for developed countries. The average farm in Iran is about 20 hectares (ha). The Ministry of Agriculture is encouraging farm owners to form co-operatives (co-ops), to increase the size of farms to about 200-500 (ha). With these larger farms, there is a need for larger farm equipment which is expected to increase the rate of mechanization. These farm co-ops have lobbied for increased government spending in the agricultural sector including modernization as a means of alleviating the effects of recent and future droughts. With Iran's large oil reserves, the Iranian government and newly formed co-ops are expected to have the capital to purchase agricultural equipment.

SITUATION AND OUTLOOK

The main crops produced in Iran are wheat, rice, and barley. Due to special programs initiated in the agricultural sector, Iran has become more self-sufficient in the production of several farm products, including certain fruits, vegetables, and livestock. However, it remains a net importer of food and agricultural products, due in part to the drought that has affected the country from 1999 to 2001.

Wheat

Nearly 60% of Iran's arable land is seeded to wheat, however, it must import nearly one-third of its wheat requirements. The major importer of wheat is the Government Trading Company. However, recent regulations have allowed for private companies to import bulk wheat, as long as it is processed in Iran and then re-exported.

Wheat production, like other agricultural activities, currently benefits from large state subsidies, and although the government is planning to reduce their assistance, wheat will be the last to be affected, as it is the staple grain in the diets of most Iranians. Wheat currently has the largest subsidy values of all the grains.

IRAN: WHEAT SUPPLY AND DISPOSITION

<i>July-June crop year</i>	1999 -2000	2000 -2001	2001 -2002	2002 -2003	2003 -2004f
Harvested Area (Mha)	6.00	6.00	6.00	6.20	6.20
Yield (t/ha)	1.42	1.33	1.42	1.94	1.77
.....million tonnes.....					
Carry-in Stocks	4.09	4.35	3.10	2.40	1.50
Production	8.50	8.00	8.50	12.00	11.00
Imports	<u>7.36</u>	<u>6.25</u>	<u>5.60</u>	<u>1.50</u>	<u>2.00</u>
Total Supply	20.05	18.60	17.20	15.90	14.50
Feed Use	0.40	0.30	0.30	0.30	0.30
Food, Seed, and Industrial Use	<u>15.30</u>	<u>15.20</u>	<u>14.50</u>	<u>14.10</u>	<u>13.20</u>
Total Use	15.70	15.50	14.80	14.40	13.50
Carry-out Stocks	4.35	3.10	2.40	1.50	1.00

IRAN: BARLEY SUPPLY AND DISPOSITION

<i>October-September crop year</i>	1999 -2000	2000 -2001	2001 -2002	2002 -2003f	2003 -2004f
Harvested Area (Mha)	1.22	1.30	1.30	1.40	1.40
Yield (t/ha)	1.31	1.08	1.15	1.64	1.29
.....million tonnes.....					
Carry-in Stocks	0.30	0.45	0.37	0.09	0.22
Production	1.60	1.40	1.50	2.30	1.80
Imports	<u>1.00</u>	<u>0.82</u>	<u>0.32</u>	<u>0.03</u>	<u>0.30</u>
Total Supply	2.90	2.67	2.19	2.42	2.32
Feed Use	2.15	2.00	1.80	1.90	1.90
Food, Seed, and Industrial Use	<u>0.30</u>	<u>0.30</u>	<u>0.30</u>	<u>0.30</u>	<u>0.30</u>
Total Use	2.45	2.30	2.10	2.20	2.20
Carry-out Stocks	0.45	0.37	0.09	0.22	0.12

f: forecast, USDA, August 2003

Source: USDA

Wheat production in Iran has been relatively stable over the past decade, due to a combination of unchanged seeded area and similar yields. For 2003-2004, seeded area is forecast to remain unchanged at 6.2 Mha, however, **production** is forecast at 11 Mt, down 8% from 2002-2003.

Iran's wheat **consumption** has fallen marginally during the past decade and, for 2003-2004, is forecast at 13.5 Mt, down 6% from last year. Per capita wheat consumption was 170 kilograms per year (kg/yr) in 2001, versus about 90 kg/yr in Canada. Although the cost of producing wheat in Iran is above the cost of imported wheat, Iran produces about 75% of its wheat requirements and imports the rest. This is to avoid dependence on other countries and to enhance food security.

Iranian wheat **imports** were relatively stable during the 1990s, and peaked at 7.4 Mt in 1999-2000, but have since dropped off and are forecast at 2.0 Mt for 2003-2004. Due to low supplies, Canadian exports of wheat to Iran fell sharply in 2002-2003, and the Canadian Wheat Board has concentrated its sales program on markets that have historically provided the best returns. As a result, wheat and durum exports to Iran in 2002-2003 have totaled 140,000 tonnes (t), compared to 883,000 t in 2001-2002 and a record 3.49 Mt in 1999-2000. Iran is not known to be a quality conscious market because 60% of the wheat flour is used for flatbread production which does not require high protein milling wheat. For 2003-2004, Canadian exports are expected to increase significantly to 0.5 Mt, due to higher supplies. Exports to

Iran are forecast to rise, particularly due to increased availability of Soft Red Winter wheat from Ontario.

Coarse Grains

Corn

Corn is primarily used as a feedgrain for the poultry industry. Harvested area has fallen over the past five years. For 2003-2004, harvested area is forecast at 120,000 ha, unchanged from last year. Yields, however, have improved over the past five years and corn **production** is projected at 0.65 Mt, unchanged from last year, but above the five year average of 0.58 Mt.

Corn **consumption** for 2003-2004 is forecast at 2.1 Mt, up marginally from last year. The increase is due to a rise in feed use. Corn **imports** have averaged 1.2 Mt in the last decade, but are forecast at 1.6 Mt in 2003-2004, unchanged from last year.

Barley

In general, about 90% of Iran's barley consumption is for feed use for sheep and goats, and there is limited substitutability with other feedgrains. Prior to 1999-2000, Iran produced about 90% of its barley requirements, importing an average of about 0.4 Mt annually. However, it has experienced drought since that time and production has decreased by about 40%. For 2003-2004, harvested area is forecast at 1.4 Mha, unchanged from last year. Since the record crop of 3.3 Mt in 1988-1989, harvested area and production have steadily declined. The wheat subsidy favours wheat production over barley. For 2003-2004, barley production is projected at 1.8 Mt, down 22% from last year, due to lower expected yields.

Domestic barley consumption is forecast at 2.2 Mt, unchanged from last year. Barley imports, largely from the European Union (EU), are expected to increase from 0.03 Mt in 2002-2003 to 0.3 Mt in 2003-2004, due to the expected fall in barley production. For feed barley, due to strong domestic demand and low supplies, Canadian exports in 2002-2003 were zero. However, for

2003-2004, exports are forecast to remain very low. Canadian barley exports to Iran will depend on price considerations and availability. Strong competition from the EU will likely limit Canadian feed barley sales to the Middle East, including Iran.

Pulse and Special Crops

Chick peas, dry beans, and lentils are commonly consumed in traditional foods. While Iran produces chick peas, dry beans, lentils and millet, imports are required when production is insufficient to meet domestic consumption. For 2003-2004, chick pea, dry bean, lentil and millet production is forecast at 225,000 t, 160,000 t, 90,000 t and 8,000 t, respectively.

Oilseeds

The production of **sunflower seed** has remained unchanged over the last five years and is forecast at 40,000 t for 2002-2003. Imports have averaged 30,000 t in the last three years and are projected to be the same in 2003-2004 and domestic crush is about 50,000 t annually.

Iran began crushing and producing sunflower seed oil in 1998-1999. For 2003-2004, sunflower seed oil production is forecast at 20,000 t, unchanged from last year. Consumption has fallen substantially over the last decade, with 2003-2004 domestic consumption forecast at 88,000 t. As a result, sunflower seed oil imports have fallen from a high of 500,000 t in 1994-1995 to a projected 80,000 t in 2003-2004. Iran has a small sunflower seed oil export program which is about 12,000 t annually.

Soybean harvested area has remained at about 90,000 ha over the last decade with production between 0.13-0.14 Mt annually. For 2003-2004, soybean production is forecast at 114,000 t, unchanged from 2002-2003. Iran's soybean consumption has risen substantially over the last five years and as a result, Iranian imports have risen as well. For 2003-2004, soybean imports are forecast at a record 675,000 t, up 9% from 2002-2003. Domestic crush is forecast to rise to a record 739,000 t, up 7% from last year.

Soyoil production has risen steadily over

CANADA: GRAIN AND OILSEED EXPORTS TO IRAN

Aug.-Jul. crop year	1999 -2000	2000 -2001	2001 -2002	2002 -2003e	2003 -2004f
.....thousand tonnes.....					
Wheat	3,492	1,532	813	140	500
Durum	0	119	70	0	0
Barley	0	110	0	0	0
Soybeans	209	119	0	61	70

e: estimate, CGC and Statistics Canada, August 2003

f: forecast, AAFC, August 2003

Source: Canadian Grain Commission, Statistics Canada

the past decade with 2003-2004 soyoil production forecast at 125,000 t, up 7% from last year. Consumption of soyoil has increased substantially over the last decade, with a record 1.04 Mt expected in 2003-2004, up 7% from last year. As a result, soyoil imports have risen as well, and are expected to reach a record 1.03 Mt in 2003-2004. Iran exports about 100,000-115,000 t of soyoil annually. Imports of soymeal are expected to increase by about 10% due to the expanding poultry industry.

For 2002-2003, the exportable surplus of **canola** in Canada had decreased substantially due to low supplies. Although the supply of **soybeans** in Canada rose by only 10% in 2002-2003, exports increased substantially. For 2002-2003, Canadian soybean exports to Iran to-date (June 2003), totaled 60,800 t versus nil during the same period at this time in 2001-2002. Iran is expected to represent 10 to 15% of Canadian exports.

For 2003-2004, the supply of **canola** and **soybeans** is expected to increase and Canada's exportable surplus, especially for canola, is expected to increase significantly which should improve the prospect for exports to Iran. Given that the current tariff rate for canola oil has been

reduced to 5% and the tariff rate is also now 5% for similar oils (soyoil and sunflower oil), the outlook for Canadian canola oil exports to Iran is very positive.

IMPLICATIONS FOR CANADA

In 2000, Canadian agri-food trade with Iran reached a high of CAN\$603 million but due to the combination of drought in Canada and good harvests in Iran, trade values have fallen in the past two years. Over the short-term, Canadian agri-food trade with Iran is expected to increase.

Iran is viewed as one of Canada's emerging markets because it imports a large amount of food, has less subsidies, has begun privatization, and has improved market access and trade liberalization. Canada's greatest export opportunity for grains and oilseeds to Iran continues to be as a supplier of wheat for food use. Canada values its business with Iran, which has consistently been one of Canada's major wheat markets. For 2003-2004, Iran's wheat import requirements are forecast to rise due to lower expected production and carry-in stocks. Spring wheat production in Canada is forecast to increase and supplies are expected to rise which will enable Canada to recover its strong position in the Iranian market.

CANADIAN CANOLA MARKET DEVELOPMENT IN IRAN

In October 2000, a Canadian trade mission to Iran resulted in a Memorandum of Understanding (MOU) on joint cooperation on canola products with Iran. In November 2000, the Canola Council of Canada supported the MOU, based on the recommendations of its key members, and approved the canola work plan.

Since then Canada has delivered consistently on the key elements of the work plan, including:

- 1) conducting an assessment of the Iranian edible oil industry
- 2) sending health and nutritional specialists to Iran.
- 3) providing in country advice on the agronomy of canola production

In 2001, the Iranian government has allowed the private sector to import 50% (0.5 Mt) of the total import of edible oil directly. As a result, in 2002, Iran reduced the tariff rate for canola oil from 60% to 6%. In early 2003, the canola oil tariff was reduced to 5% while soyoil and sunflower oil tariffs were raised to 5%.

This is expected to increase opportunities for exports of Canadian canola oil to Iran as Canadian canola supplies increase and market development efforts increase consumer awareness of the health advantages of canola oil over other types of vegoil.

IRAN: VEGETABLE OIL AND MEAL IMPORTS

<i>Oct.-Sep. crop year</i>	2001 -2002	2002 -2003f	2003 -2004f
.....thousand tonnes.....			
Soyoil	900	950	1,025
Palm Oil	224	230	240
Sunflower seed Oil	80	80	80
Total	1,204	1,260	1,345
Soymeal	477	550	600

f: forecast, USDA, August 2003

Source: USDA

Opportunities for exports of canola and soybeans, as seed and edible oil, and canola meal for feed production also exist, as well as for pulse crops including chickpeas and lentils.

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CANADA: PULSE AND SPECIAL CROPS OUTLOOK

August 29, 2003

For 2003-04, total pulse and special crops production is forecast to increase by 36%, from 2002-03, to 3.77 million tonnes (Mt), based on Statistics Canada's July 31 production estimate for dry peas and AAFC's forecast for other pulse and special crops. However, total supply is expected to increase by only 18% because of lower carry-in stocks. Total exports and domestic use are forecast to increase, due to higher supply and strong demand, resulting in similar to 2002-03 carry-out stocks. Average prices, over all grades and markets, are forecast to increase from 2002-03 for dry beans, chick peas and buckwheat, but decrease for dry peas, lentils, mustard seed, canary seed and sunflower seed.

For most crops in western Canada, yields are forecast to be significantly below trend, due to delayed seeding, hot and dry weather, and insect damage, but higher than in 2002-03. For eastern Canada, trend yields are forecast. Canadian harvest progress has been much faster than in 2002-03 and significantly faster than normal. Most of the dry peas and lentils have been harvested along with a significant portion of mustard seed and chick peas. Harvesting of dry beans and canary seed has started. The buckwheat harvest is expected to start in mid-September and the sunflower seed harvest in late September. For both eastern and western Canada, it has been assumed that precipitation will be normal during harvest and that crop abandonment and crop quality will be near normal. In 2002-03, crop abandonment was much higher than normal and quality lower than normal for most pulse and special crops, due to wet weather in western Canada during harvest.

The main factors to watch will be precipitation during the remainder of the harvest period in Canada, the exchange rate of the Canadian dollar against the US dollar and other currencies, and growing and harvest conditions in major producing countries.

DRY PEAS

For 2003-04, production and supply are estimated to increase significantly, with a marginally higher seeded area, lower abandonment and higher yields. Production is expected to increase for yellow, green and other types. World supply is expected to increase by 8% to 11.1 Mt, but this is expected to be mostly offset by higher use for livestock feed. Canadian exports and domestic use are forecast to increase, with a larger portion going into the feed market. Carry-out stocks are forecast to increase, with a stocks-to-use (s/u) ratio of 9%. The average price, over all types, grades and markets, is forecast to decrease due to the higher world supply.

LENTILS

Production and supply are forecast to increase significantly, as an 8% decrease in seeded area is more than offset by lower abandonment and higher yields. Production is expected to increase for large, medium and small green, red and other types. World supply is expected to decrease slightly to 3.25 Mt. Canadian exports are expected to increase, as Canada's share of world supply rises. Carry-out stocks are forecast to remain low. The average price, over all types and grades, is forecast to fall slightly due to the higher Canadian supply.

DRY BEANS

Production and supply are forecast to decrease significantly, due mainly to a 33% decrease in seeded area. Production is expected to decrease for white pea, pinto, red kidney, pink, small red, cranberry and black beans, but increase slightly for Great Northern beans. Exports are forecast to decrease, due to lower supply, and carry-out stocks are expected to decrease to a low level. US production and supply are also expected to decrease significantly due to a 21% decrease in seeded area. The average price, over all classes and grades, is forecast to increase due to the lower supply.

CHICK PEAS

Production and supply are forecast to fall sharply due to a 72% decrease in seeded area, which is partly offset by lower abandonment. Seeded area fell sharply due to the high risk of production, especially for the kabuli type, relative to expected prices. Production is expected to decrease for all types, desi, large kabuli and small kabuli. World supply is expected to increase slightly to 7.85 Mt. Canadian exports are forecast to decrease sharply due to lower supply. Carry-out stocks are forecast to decrease to a low level. The average price, over all types, sizes and grades, is forecast to increase due to lower supply and expected higher quality in Canada.

MUSTARD SEED

Production and supply are forecast to increase significantly due to a 21% increase in seeded area, lower abandonment and higher yields. Production is expected to increase for all types, yellow, brown and oriental. US production, nearly all the yellow type, is forecast to decrease due to a 50% decrease in seeded area. Canadian exports are expected to increase because of the higher supply. Carry-out stocks are forecast to increase, with a s/u ratio of 29%. The average price, over all types and grades, is forecast to decrease because of higher supply.

CANARY SEED

Production and supply are forecast to increase significantly, as a 9% decrease in seeded area is more than offset by lower abandonment and higher yields. World supply is forecast to increase by 9% to 270,000 t. Canadian exports are expected to increase, because of higher supply. Carry-out stocks are forecast to remain low, with a s/u ratio of 5%. The average price is forecast to decrease because of increased supply and the normal harvest pace expected for 2003-04, compared to the very late harvest in 2002-03.

SUNFLOWER SEED

Production and supply are forecast to increase moderately due to a 20% increase in seeded area. A moderate decrease in production is expected for the confectionary type, but a significant increase in production is expected for the oilseed type. World supply is expected to increase by 10% to 27.1 Mt, due to higher production of the oilseed type. Total US and Canadian supply of the confectionary type is expected to decrease, while the total supply of the oilseed type increases. Canadian exports and domestic use are expected to increase due to the higher supply and strong demand. Carry-out stocks are forecast to be the same as for 2002-03, with a s/u ratio of 10%. Lower total US and Canadian supply is expected to support prices for the confectionary type, while higher world supply is expected to pressure prices for the oilseed type. The average price, over both types and all grades, is forecast to decrease due to the higher supply of the oilseed type.

BUCKWHEAT

Production and supply are forecast to decrease, due to a 23% drop in seeded area. World supply is forecast to decrease by 4% to 2.56 Mt. Canadian exports and domestic use are expected to decrease, due to the lower supply, and stocks are forecast to decrease to a negligible level. The average price, over all grades and markets, is forecast to increase due to the lower supply.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

August 29, 2003

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----									
Dry Peas									
1999-2000	835	2.70	2,252	12	2,639	1,417	822	400	135
2000-2001	1,220	2.35	2,864	12	3,276	2,196	885	195	138
2001-2002	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003p	1,050	1.30	1,365	40	1,680	900	630	150	210
2003-2004f	1,283	1.76	2,254	30	2,434	1,450	784	200	145-175
Lentils									
1999-2000	497	1.46	724	10	794	503	211	80	380
2000-2001	688	1.33	914	5	999	475	268	256	295
2001-2002	664	0.85	566	6	828	478	219	131	320
2002-2003p	387	0.91	354	8	493	335	148	10	390
2003-2004f	535	1.03	550	5	565	400	155	10	365-395
Dry Beans									
1999-2000	154	1.91	294	41	360	260	60	40	500
2000-2001	162	1.65	268	40	348	227	71	50	465
2001-2002	175	1.70	298	42	390	263	97	30	725
2002-2003p	219	1.89	414	35	479	310	114	55	445
2003-2004f	150	1.77	265	35	355	260	85	10	515-545
Chick Peas									
1999-2000	139	1.42	197	5	207	56	136	15	390
2000-2001	283	1.37	388	5	408	179	199	30	410
2001-2002	467	0.97	455	12	497	147	210	140	380
2002-2003p	154	1.01	156	10	306	125	131	50	300
2003-2004f	60	1.00	60	15	125	60	60	5	335-365
Mustard Seed									
1999-2000	273	1.12	306	1	357	170	72	115	285
2000-2001	208	0.97	202	1	318	151	62	105	280
2001-2002	158	0.66	105	3	213	171	9	33	685
2002-2003p	255	0.60	154	9	196	140	26	30	595
2003-2004f	340	0.75	255	3	288	170	53	65	390-420
Canary Seed									
1999-2000	146	1.14	166	0	276	157	29	90	240
2000-2001	164	1.04	171	0	261	170	21	70	265
2001-2002	163	0.70	114	0	184	134	20	30	660
2002-2003p	214	0.77	164	0	194	160	24	10	575
2003-2004f	245	0.82	200	0	210	165	35	10	385-415
Sunflower Seed									
1999-2000	79	1.54	122	19	145	49	55	41	295
2000-2001	69	1.72	119	18	178	77	55	46	320
2001-2002	67	1.55	104	30	180	92	66	22	355
2002-2003p	95	1.65	157	20	199	105	74	20	440
2003-2004f	115	1.52	175	15	210	110	80	20	385-415
Buckwheat									
1999-2000	13	1.00	13	1	16	8	7	1	305
2000-2001	15	0.93	14	1	16	9	7	0	305
2001-2002	14	1.14	16	1	17	6	8	3	325
2002-2003p	12	1.00	12	1	16	7	7	2	340
2003-2004f	9	1.00	9	1	12	6	6	0	340-370
Total Pulse And Special Crops(c)									
1999-2000	2,136	1.91	4,074	89	4,794	2,620	1,392	782	
2000-2001	2,809	1.76	4,940	82	5,804	3,484	1,568	752	
2001-2002	2,993	1.23	3,681	121	4,554	2,672	1,218	664	
2002-2003p	2,386	1.16	2,776	123	3,563	2,082	1,154	327	
2003-2004f	2,737	1.38	3,768	104	4,199	2,621	1,258	320	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

p - preliminary

f: forecast, Agriculture and Agri-Food Canada, August 29, 2003

Source: Statistics Canada and industry consultations.

B. CASH PRICES AND REPLACEMENT VALUES

August 25, 2003

PRAIRIE GRAINS

Selected Points	Price Basis		This week 25-Aug-03	Last week 11-Aug-03	Month ago 28-Jul-03	Year ago 26-Aug-02
From: Thunder Bay(WCE) (2)	In-Store	Wheat	146.50	126.30	121.50	178.50
(CBOT)		Oat	140.00	138.00	131.50	N/A
(Lethbridge)		Barley	147.20	123.00	123.00	190.70
To: Bayport, ON (1)	In-store	Wheat	170.11	149.91	145.11	201.60
		Oat	N/A	N/A	N/A	N/A
		Barley	174.59	150.39	150.39	217.85
Montreal, QC (1)	In-store	Wheat	174.53	154.33	149.53	206.35
		Oat	N/A	N/A	N/A	N/A
		Barley	179.51	155.31	155.31	222.97
Moncton, NB	Truck via Halifax	Wheat	196.75	176.55	171.75	228.82
		Oat	N/A	N/A	N/A	N/A
		Barley	203.70	179.50	179.50	249.33
Truro, NS	Truck via Halifax	Wheat	190.72	170.52	165.72	226.32
		Oat	N/A	N/A	N/A	N/A
		Barley	201.20	177.00	177.00	244.45
Halifax, NS (1)	In-store	Wheat	181.78	161.58	156.78	213.65
		Oat	N/A	N/A	N/A	N/A
		Barley	187.50	163.30	163.30	230.77
Stephenville, NL	Track / Truck via Sydney	Wheat	245.13	224.93	220.13	273.43
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	297.84
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 25-Aug-03	Last week 11-Aug-03	Month ago 28-Jul-03	Year ago 26-Aug-02
Corn						
From: US Lake Port	On Board Vessel		141.40	130.98	126.29	170.58
To: Montreal, QC (1)	In-store		160.44	150.02	145.33	189.48
From: Chicago (Mi)	Track		134.74	126.59	118.67	166.90
To: Montreal, QC	Track		163.60	155.45	147.53	195.93
From: Chatham, ON	Track		149.89	144.28	141.13	170.66
To: Montreal, QC	Track		173.69	168.08	164.93	194.04

Soymeal 48% Protein

From: Hamilton, ON			327.27	287.15	294.76	330.47
To: Montreal, QC	Track		351.60	311.48	319.09	354.89
Moncton, NB	Track		370.35	330.23	337.84	378.10
Truro, NS	Track		373.57	333.45	341.06	376.93
Stephenville, NL	Track / Truck via Sydney		422.20	382.08	389.69	425.73

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

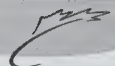
Source: Market Analysis Division, Agriculture and Agri-Food Canada

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Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



CANADA: GRAINS AND OILSEEDS OUTLOOK

August 29, 2003

For 2003-04, total production of grains and oilseeds in Canada is estimated by Statistics Canada at 57 million tonnes (Mt) versus 42 Mt in 2002-03 and the 10-year average of 58 Mt. In western Canada, production is estimated to increase to 41 Mt from 27 Mt in 2002-03. Yield prospects for most crops have declined over the past month due to a lack of precipitation and above-normal temperatures. Yields are below trend but generally higher than in 2002-03. The proportion of the wheat and durum crop in the top two grades is expected to be significantly higher than 2002-03 and the protein content is expected to be above normal due to the hot dry growing conditions. Barley protein levels will also likely be higher than normal, but high protein is not desirable in malting barley. Fusarium is not expected to be a problem in wheat or barley. In eastern Canada, production is estimated to increase by 9% from 2002-03, with near-trend yields. Total Canadian supplies are forecast to increase as higher production more than offsets low carry-in stocks. Total exports are forecast to rise to 24 Mt from 15 Mt in 2002-03. Prices, in general, for grains and oilseeds in Canada are expected to decline due to lower world prices and the stronger Canadian dollar.

It has been assumed that the trade disruptions affecting the cattle and beef sector, related to the single case of bovine spongiform encephalopathy (BSE) in Alberta will not have a major impact on feed use in 2003-04. This is partially supported by the recent lifting of the ban on certain imports of Canadian boneless beef by the US, Mexico, Philippines and Russia.

Average world grain and oilseed prices for 2003-04 are expected to decline from the 2002-03 level due to higher production in most of the major exporting countries. Some offsetting price support has been received due to smaller crops in the EU, Eastern Europe, Ukraine and Russia, with the EU recently suspending its weekly export tenders for wheat and barley. The major factors to watch are growing conditions in the major importing and exporting regions, Canada/US trade issues, EU grain export policy, exports from Ukraine and Russia, import demand from China and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2003-04, production is estimated to increase by 44% from 2002-03, to 17.2 Mt, but remain well below the 10-year average of 19.9 Mt. The increase in production will be partly offset by lower carry-in stocks, and total supplies are expected to increase by 24% from 2002-03 to 21.2 Mt. Exports are forecast to increase to 10.4 Mt, from only 5.9 Mt in 2002-03, but remain well below the 10-year average of 13.5 Mt. Feed use is expected to decline from 2002-03, to 3.1 Mt, due to better quality, smaller livestock numbers and increased barley supplies. Carry-out stocks are forecast to be unchanged at an historically low level of 4.0 Mt, vs the 10-year average of 5.9 Mt. The Canadian Wheat Board (CWB) August 2003-04 Pool Return Outlook (PRO) for No.1 CWRW 11.5% protein is up by \$8/t from July, due to lower production prospects in the EU, Eastern Europe and Canada, at \$191/t, in-store Vancouver/St. Lawrence, but this remains \$50/t below 2002-03. Ontario wheat production is estimated at a record 2.2 Mt, and exports could exceed 1 Mt. Ontario Wheat Producers' Marketing Board pool returns for No.1 CESRW wheat are forecast by AAFC at \$145-155/t, terminal or processor position, 12% below 2002-03 but \$15/t higher than last month, due to strong SRW wheat prices on the Chicago market.

DURUM

Yield estimates are 9% lower than for 2002-03, at 1.55 t/ha, due to dryness in southern Saskatchewan, but production is estimated to be up by 2% at 3.8 Mt, due to increased harvested area. Supplies are expected to rise by 2%, to 5.4 Mt, vs. the 10-year average of 6.2 Mt. Exports are forecast to increase by 15%, to 3.4 Mt, due to increased supplies of Nos. 1 and 2 CWAD durum. This remains below the 10-year average of 3.6 Mt, largely due to weak world demand for durum wheat resulting from good crops in North Africa. Carry-out stocks are projected to decline by 24%, to 1.2 Mt, the lowest since 1997-98. The CWB Aug. PRO for No.1 CWAD 11.5% protein is up by \$7/t from July, at \$203/t, due to lower production prospects in the EU and Canada, but \$64/t below 2002-03. The

forecast premium for No.1 CWAD 11.5% over No.1 CWRW 11.5% is \$12/t vs. \$26/t in 2002-03.

BARLEY

Production is estimated to increase by 65% but supplies are expected to rise by 41% due to sharply lower carry-in stocks. Exports of malting barley are expected to increase significantly while feed barley exports remain historically low, although higher than in 2002-03. Lower cattle inventories are expected to reduce 2003-04 feed use. However, feed use of barley is expected to rise significantly from 2002-03 as barley displaces imports of US corn in western Canada. Carry-out stocks are forecast to increase slightly. Off-Board feed barley prices are expected to decrease sharply. The CWB Aug. PRO for No.1 CW Feed barley is \$156/t vs the 2002-03 PRO of \$158/t. The CWB PRO for Special Select Two Row designated barley is \$201/t, vs \$241/t in 2002-03 due to higher supplies in North America and Australia.

OATS

Production is estimated to increase by 47%. Exports, mainly to the US, are expected to rise significantly due to larger supplies and reduced competition from Sweden and Finland. Carry-out stocks are expected to rise significantly. Prices are forecast to fall sharply, largely due to increased production in Canada and the US and the stronger Canadian dollar. The premium for oats over corn is expected to fall significantly.

CORN

Production is estimated to rise by 2% due to higher yields. Imports are expected to decrease significantly to 1.5 Mt, mainly due to higher barley production in western Canada, increased production in eastern Canada and lower feed use. Carry-out stocks are forecast to increase. Chatham corn prices are forecast to fall by about 15% due to lower US prices and the stronger Canadian dollar.

CANOLA

Production is estimated to rise by 74%, but supplies are expected to increase by only 44% due to lower carry-in stocks. Domestic crush and exports are forecast to rise by 16% and 42%, respectively. With lower canola prices forecast for 2003-04, Canada is expected to increase exports to price sensitive markets such as China. Carry-out stocks are forecast to increase from 2002-03. Prices are forecast at \$345-375/t and the decrease is due to higher Canadian and world canola/rapeseed production and the stronger Canadian dollar.

FLAXSEED (excluding solin)

Production is estimated to increase by 17%, but supplies are expected to rise by only 6% due to lower carry-in stocks. Exports are forecast to increase slightly due to increased supplies. Carry-out stocks are also expected to increase slightly, pressuring average prices, which are forecast at \$335-365/t.

SOYBEANS

Production is estimated to increase by 17%, and supplies are expected to rise by 14% as carry-in stocks decline slightly from the previous year. Domestic use is expected to rise only slightly, while exports increase significantly as Canada continues to expand into world markets for food grade soybeans. Prices are forecast to fall to \$250-280/t due to lower US soybean prices related to higher world production and the stronger Canadian dollar.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

August 29, 2003

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use	Feed, Waste & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes-----											
Durum											
2001-2002	2,036	1.47	2,987	12	5,872	3,628	249	213	699	1,545	260.43
2002-2003p	2,185	1.70	3,714	6	5,265	2,946	280	224	744	1,575	267 *
2003-2004f	2,434	1.55	3,778	5	5,358	3,400	280	238	758	1,200	203 **
Wheat Except Durum											
2001-2002	8,550	2.06	17,581	85	24,459	12,578	2,792	3,293	6,877	5,004	207.16
2002-2003p	6,428	1.86	11,976	176	17,157	5,855	2,835	3,677	7,302	4,000	241 *
2003-2004f	8,012	2.15	17,189	25	21,214	10,400	2,865	3,139	6,814	4,000	191 **
All Wheat											
2001-2002	10,585	1.94	20,568	97	30,331	16,206	3,041	3,506	7,576	6,549	
2002-2003p	8,613	1.82	15,690	182	22,421	8,801	3,115	3,900	8,045	5,575	
2003-2004f	10,446	2.01	20,966	30	26,571	13,800	3,145	3,376	7,571	5,200	
Barley											
2001-2002	4,150	2.61	10,846	112	13,473	1,772	306	9,048	9,803	1,898	158.60
2002-2003p	3,267	2.23	7,282	267	9,447	900	270	6,587	7,297	1,250	171.88
2003-2004f	4,615	2.61	12,025	50	13,325	2,750	320	8,520	9,275	1,300	120-150
Corn											
2001-2002	1,267	6.62	8,389	3,844	13,113	193	2,285	9,544	11,864	1,056	132.90
2002-2003p	1,288	7.04	9,064	4,000	14,120	340	2,425	10,570	13,030	750	145
2003-2004f	1,260	7.36	9,270	1,500	11,520	300	2,500	7,655	10,190	1,030	110-140
Oats											
2001-2002	1,238	2.17	2,691	53	3,598	1,409	147	1,479	1,826	363	202.19
2002-2003p	1,298	2.12	2,750	20	3,133	1,100	140	1,295	1,633	400	193.91
2003-2004f	1,830	2.21	4,048	5	4,453	1,750	150	1,493	1,853	850	110-140
Rye											
2001-2002	123	1.85	228	4	309	62	39	144	198	49	
2002-2003p	77	1.74	134	2	185	55	38	40	100	30	
2003-2004f	155	1.94	301	5	336	80	42	151	211	45	
Mixed Grains											
2001-2002	159	2.80	447	0	447	0	0	447	447	0	
2002-2003p	132	2.73	360	0	360	0	0	360	360	0	
2003-2004f	179	2.96	529	0	529	0	0	529	529	0	
Total Coarse Grains											
2001-2002	6,937	3.26	22,600	4,013	30,939	3,436	2,777	20,662	24,138	3,366	
2002-2003p	6,062	3.23	19,590	4,289	27,245	2,395	2,873	18,852	22,420	2,430	
2003-2004f	8,039	3.26	26,173	1,560	30,163	4,880	3,012	18,348	22,058	3,225	
Canola											
2001-2002	3,765	1.31	4,926	226	6,240	2,524	2,293	188	2,516	1,200	357.45
2002-2003p	2,857	1.25	3,577	223	5,000	2,400	2,190	n/a ***	n/a ***	750	415.09
2003-2004f	4,689	1.33	6,230	225	7,205	3,400	2,550	260	2,855	950	345-375
Flaxseed (excluding Solin)											
2001-2002	662	1.08	715	24	998	618	n/a	n/a	205	175	319.77
2002-2003p	633	1.07	679	25	879	570	n/a	n/a	194	115	401.97
2003-2004f	737	1.08	793	20	928	610	n/a	n/a	193	125	335-365
Soybeans											
2001-2002	1,069	1.53	1,635	982	2,803	501	n/a	n/a	2,129	173	269.01
2002-2003p	1,024	2.28	2,335	575	3,083	700	n/a	n/a	2,218	165	306
2003-2004f	1,046	2.61	2,735	600	3,500	900	n/a	n/a	2,420	180	250-280
Total Oilseeds											
2001-2002	5,495	1.32	7,277	1,233	10,041	3,643	n/a	n/a	4,850	1,548	
2002-2003p	4,514	1.46	6,592	823	8,962	3,670	n/a	n/a	4,262	1,030	
2003-2004f	6,472	1.51	9,757	845	11,633	4,910	n/a	n/a	5,468	1,255	
Total Grains And Oilseeds											
2001-2002	23,018	2.19	50,444	5,343	71,311	23,285	n/a	n/a	36,564	11,462	
2002-2003p	19,189	2.18	41,871	5,294	58,628	14,866	n/a	n/a	34,727	9,035	
2003-2004f	24,957	2.28	56,897	2,435	68,367	23,590	n/a	n/a	35,097	9,680	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products. (c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use. For flaxseed and soybeans, food/industrial use and feed/waste/dockage are included in the total domestic use, but are not reported due to data confidentiality.

(e) Crop year average prices: No.1 CWRS 11.5% and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* July 2003 CWB Pool Return Outlook (PRO). ** August 2003 PRO.

*** Feed, waste and dockage and total domestic use are calculated residually. Based on current data on exports, human food, industrial use and carry-out stocks, it appears that Statistics Canada's (STC) 2002-03 estimates of production and/or carry-in stocks for canola may be low, resulting in a smaller than expected residual. If necessary, STC will revise the carry-in stocks and/or production estimates in the fall.

p - preliminary estimates

f: Agriculture and Agri-Food Canada forecast, August 29, 2003

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007

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SUNFLOWER SEED: SITUATION AND OUTLOOK

Although Canadian production of oil sunflower seed is relatively low, Canada is a major producer of confectionary sunflower seed. Production, exports and processing increased significantly during the past four years and are expected to continue growing in 2003-2004 and over the longer term. The value of Canadian exports has been increasing and is estimated at \$56 million for 2002-2003. Value added processing includes human food markets, snacks and kernels, as well as bird seed markets. It is expected to continue generating income and employment, especially in western Canada. For 2003-2004, Canadian production is forecast to increase from 2002-2003, with average prices increasing for the confectionary type and decreasing for the oilseed type.

WORLD

Production

Sunflower is native to North America where it was used in dyes, food preparation and medicines. It then spread throughout the world and developed as an oilseed crop in Russia during the late 1800s. World sunflower seed production has been variable during the past ten years, ranging from a low of 21.4 million tonnes (Mt) in 2001-2002 to a high of 27.3 Mt in 1999-2000, but there has been no upward or downward trend. There are two types of sunflower seed produced, oilseed and confectionary. About 95% of world production is the oilseed type and only 5% the confectionary type.

Utilization

The majority of the oil sunflower seeds are crushed after the hull is removed. The hull represents about 15% of the sunflower seed weight. Dehulled seed yields 45-50% oil and 50-55% meal. The oil is used for frying or to produce salad dressing, shortening and margarine. The mid and high oleic hybrids produce oil for specialized markets. The meal is used as a protein supplement in livestock feed and

usually contains about 35% protein. The hulls are used mostly for livestock bedding, with some used as a source of fibre for cattle feed. In addition, the use of the oilseed type seed by the bird seed industry is growing.

Confectionary type sunflower seeds are used in the snack food industry as roasted sunflower seeds, and dehulled for use in snack food and baking. Sunflower seeds are high in protein, calcium, phosphorus, iron, potassium, and vitamin E. The sunflower seed snacks are usually lightly coated in salt or spices. Some confectionary sunflower seeds are also used for bird seed.

Some sunflower seeds are used for cattle feed. Usually damaged seed is used, but good quality seed is sometimes used in dairy cattle rations.

Trade

Sunflower seed exports have been variable, in line with variability in production, ranging from 1.82 to 2.84 Mt during the past four years. Exports are relatively dispersed, with the top 10 countries accounting for about 85% of

exports. The European Union (EU) accounts for about 75% of imports, with Turkey, Pakistan, the US, and Morocco accounting for most of the balance. The US and Canada are the main exporters of confectionary sunflower seeds, with the EU, China and Mexico the main destinations, excluding Canada-US trade.

CANADA

Production

Sunflower grows best on loam, silty loam, and silty clay loam soils with good drainage. It has a low tolerance for saline conditions, therefore soils with moderate to high levels of salinity should be avoided. Sunflower has a deep tap root that can obtain water and nutrients 1.5-1.8 metres (5-6 feet) deep in the soil. These reserves of water and nutrients are unavailable to most other annual crops, making sunflower a good rotational crop. It should be seeded as early as possible, usually in the first half of May, since it requires 115-125 days to reach maturity.

Canadian sunflower seed production has been mainly the confectionary type since crushing ended. Oil sunflower seed has

been mainly the traditional hybrids, with only small production of sunola and sunwheat. Canadian producers have been slower in adapting NuSun hybrids because most of Canadian oil sunflower seed is used for bird seed.

Canadian sunflower seed production fell sharply in the mid-1990s when crushing ended in Canada. However, production has been trending upwards since 1998-1999 with most of the increase for the confectionary type. Manitoba accounted for 86% of the production in 2002-2003, followed by Saskatchewan at 11%, Alberta at 2.5%, with Ontario accounting for most of the remaining 0.5%. The main producing areas are south-central Manitoba, followed by south-western Manitoba and south-eastern Saskatchewan.

Marketing

Sunflower seed is sold on the open market to dealers located mostly in Manitoba. Sunflower seed is shipped bulk in trucks or rail cars. Some sunflower seed is grown under production contracts which guarantee a price for part of the production.

Domestic Use

Canadian domestic use, which includes food, feed, seed, dockage and waste, has been growing in line with the growth in production and domestic processing. Since 1995, sunflower seeds have not been crushed in Canada, but the lower crush use has been replaced by increased processing of confectionary sunflowers and increased use for bird seed. The markets for in-shell snack food, dehulled snack food, baking and bird

seed have increased significantly. Most of the oilseed type sunflower seeds are used by the bird seed industry, as are a portion of the confectionary type.

Exports

Nearly 60% of Canadian sunflower seed is exported, with the majority going to the US, and the balance going mostly to Europe, Latin America and the Middle East and northern Africa. Exports to the US are both oilseed and confectionary types, while exports to other parts of the world are mainly the confectionary type. In addition to the seed, prepackaged snack food, dehulled sunflower seed and bird seed are also exported.

WORLD: SUNFLOWER SEED SUPPLY AND DISPOSITION

	1999 -2000	2000 -2001	2001 -2002	2002 -2003p	2003 -2004f
Harvested Area (Mha)	23.59	20.31	18.83	20.37	23.09
Average Yields (t/ha)	1.16	1.14	1.14	1.18	1.16
.....thousand tonnes.....					
Argentina	6,000	3,050	3,844	3,700	4,200
Russia	4,150	3,915	2,670	3,685	4,400
Ukraine	2,794	3,457	2,251	3,270	4,300
European Union	3,213	3,298	3,017	2,752	2,400
China	1,765	1,954	1,478	1,860	1,900
India	1,300	1,250	1,450	1,625	1,700
United States	1,969	1,608	1,551	1,133	1,399
Romania	1,300	717	744	890	1,000
South Africa	545	664	930	710	830
Turkey	800	575	520	820	750
Hungary	795	500	650	779	800
Canada*	122	119	104	157	175
Others	<u>2,503</u>	<u>2,065</u>	<u>2,201</u>	<u>2,638</u>	<u>3,156</u>
Total Production	27,256	23,172	21,410	24,019	26,835
Carry-in Stocks	<u>1,423</u>	<u>1,772</u>	<u>948</u>	<u>580</u>	<u>728</u>
Total Supply	28,679	24,944	22,358	24,599	27,563
Total Use	26,907	23,996	21,778	23,871	26,745
Carry-out Stocks	1,772	948	580	728	818
Stocks-to-use ratio (%)	7	4	3	3	3

p: preliminary, USDA, except * which is AAFC, September 2003

f: forecast, USDA, except * which is AAFC, September 2003

Source: USDA, except * which is Statistics Canada, September 2003

WORLD: SUNFLOWER SEED EXPORTS

	1999 -2000	2000 -2001	2001 -2002	2002 -2003p	2003 -2004f
.....thousand tonnes.....					
Russia	855	730	50	200	700
Ukraine	450	1020	82	400	820
Bulgaria	200	70	140	180	253
Argentina	283	79	356	300	200
Hungary	150	200	150	245	245
United States	205	201	235	166	182
Romania	300	100	101	170	200
Uruguay	5	21	119	140	140
Canada*	49	77	92	105	115
Moldova	105	95	98	100	100
Other	<u>241</u>	<u>222</u>	<u>399</u>	<u>333</u>	<u>368</u>
Total	2,843	2,815	1,822	2,339	3,323

WORLD: SUNFLOWER SEED IMPORTS

	1999 -2000	2000 -2001	2001 -2002	2002 -2003p	2003 -2004f
.....thousand tonnes.....					
European Union	2,227	1,989	1,278	1,658	2,400
Turkey	437	308	165	250	350
Pakistan	1	23	0	100	130
United States	41	66	77	93	103
Morocco	80	70	30	50	75
Other	<u>118</u>	<u>104</u>	<u>73</u>	<u>155</u>	<u>59</u>
Total	2,904	2,560	1,623	2,306	3,117

The difference between imports and exports is attributed to the timing of delivery.

p: preliminary, USDA except * which is AAFC, September 2003

f: forecast, USDA except * which is AAFC, September 2003

Source: USDA except * which is Statistics Canada, September 2003

Prices

In general, Canadian sunflower seed prices follow US prices adjusted by exchange rates. Oilseed sunflower prices are affected by the supply and demand factors for vegetable oil and protein meal. Confectionary sunflower seed prices depend on supply and demand conditions in the confectionary market. Bird seed sunflower prices mostly follow the prices of the oilseed type. Prices of both confectionary and oilseed types increased by about 25% in 2002-2003, as compared

to 2001-2002, although prices were pressured by the significant appreciation of the Canadian dollar against the US dollar in the second half of the crop year.

OUTLOOK: 2003-2004

World

Total world sunflower seed production and supply are forecast to increase by 12% to 26.84 Mt and 27.56 Mt, respectively. Total use is expected to increase due to the higher supply and strong demand.

Although carry-out stocks are expected to increase, the stocks-to-use ratio is expected to remain at 3%.

United States

US sunflower seed production is forecast to increase by 23% to 1.4 Mt and supply to increase by 19% to 1.475 Mt. Oil sunflower seed production is forecast to increase by 29% to 1.21 Mt and supply to increase by 28% to 1.27 Mt. Confectionary sunflower seed production is forecast to decrease by 4% to 185,000 t and supply to decrease by 19% to 205,000 t.

Canada

Canadian sunflower production is forecast to increase by 11% to 175,000 t due to a 20% higher seeded area, which is expected to be partly offset by lower yields. Most of the increase in seeded area was in Saskatchewan. Therefore, Manitoba's share of the production is expected to decrease to 77%, Saskatchewan's share increase to 20%, with Alberta's share remaining at about 2.5% and Ontario accounting for most of the remaining 0.5%. The sunflower seed harvest has started. Oilseed type production is forecast to increase by 70% to 80,000 t, while confectionary type production decreases by 14% to 95,000 t. Total supply is forecast to grow by 13% to 225,000 t. Exports and domestic use are expected to increase, due to higher supply and strong demand. Carry-out stocks are forecast to increase to 40,000 t, with a stocks-to-use ratio of 22%.

Total Canada and United States

Oil sunflower seed production is forecast to increase by 31% to 1.29 Mt and supply to increase by 30% to 1.36 Mt. Confectionary sunflower seed production is forecast to decrease by 8% to 280,000 t and supply to decrease by 15% to 327,000 t.

Prices

For the oilseed type, the average Canadian price is forecast to decrease from 2002-2003 due to higher supply and a stronger Canadian dollar. For the confectionary type, the average price is forecast to increase, as pressure from the

CANADA: SUNFLOWER SEED SUPPLY AND DISPOSITION

<i>August-July crop year</i>	1999 -2000	2000 -2001	2001 -2002	2002 -2003p	2003 -2004f
Seeded Area (000 ha)	85	75	73	100	119
Harvested Area (000 ha)	79	69	67	95	115
Yield (t/ha)	1.54	1.72	1.55	1.65	1.52
.....thousand tonnes.....					
Carry-in stocks	4	41	46	22	35
Production:					
<i>Oil</i>	<u>55</u>	<u>30</u>	<u>24</u>	<u>47</u>	<u>80</u>
<i>Confectionary</i>	<u>67</u>	<u>89</u>	<u>80</u>	<u>110</u>	<u>95</u>
Total Production	122	119	104	157	175
Imports	<u>19</u>	<u>18</u>	<u>29</u>	<u>21</u>	<u>15</u>
Total Supply	145	178	179	199	225
Exports:					
<i>United States</i>	<u>38</u>	<u>60</u>	<u>77</u>	<u>91</u>	<u>97</u>
<i>Europe</i>	<u>3</u>	<u>3</u>	<u>5</u>	<u>3</u>	<u>5</u>
<i>Middle East and Africa</i>	<u>2</u>	<u>7</u>	<u>5</u>	<u>6</u>	<u>6</u>
<i>Central and South America</i>	<u>5</u>	<u>6</u>	<u>4</u>	<u>3</u>	<u>5</u>
<i>Asia and Oceania</i>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>
Total Exports	49	77	92	105	115
Total Domestic Use	<u>55</u>	<u>55</u>	<u>65</u>	<u>60</u>	<u>70</u>
Total Use	104	132	157	165	185
Carry-out Stocks	41	46	22	35	40
Stocks-to-Use-Ratio (%)	39	35	14	21	22
Harvested Area (000 ac)	195	170	166	235	284
Yield (lbs/ac.)	1,378	1,539	1,385	1,474	1,358
Production (Mlbs)	269	262	229	346	386
Average producer price*					
<i>Oilseed</i> \$/t	220	209	342	419	309
\$/lb	0.100	0.095	0.155	0.190	0.140
<i>Confectionary</i> \$/t	386	364	364	463	485
\$/lb	0.175	0.165	0.165	0.210	0.220

* Manitoba, No.1 Canada grade

p: preliminary, Agriculture and Agri-Food Canada, September 2003

f: forecast, Agriculture and Agri-Food Canada, September 2003

Source: Statistics Canada and Agriculture and Agri-Food Canada

stronger Canadian dollar is more than offset by support from lower supply.

made from sunflower seed kernels, which are expected to increase demand.

production and possibly a return to sunflower seed crushing in Canada.

OUTLOOK: CANADA LONGER TERM

Production of confectionary sunflower seed is expected to grow moderately in line with the growth in demand. Sunflower seed is considered to be healthy food and the industry has been developing new products such as spreads and snacks

Oil sunflower seed production is also expected to grow, but the rate of increase will depend on the price of vegetable oil as well as the growth in demand for bird seed. An additional factor is the growth in demand for NuSun. A continuing strong increase in demand for NuSun oil and attractive prices could result in a faster increase in Canadian oil sunflower seed

The demand for NuSun oil is expected to continue growing especially in the snack food market, and the fast food industry, as well as in the salad and home use markets. The trend to labelling regulations which list the amount of trans fatty acids will contribute to the growth in demand.

For periodic updates on the situation and outlook for sunflower seed, visit Market Analysis Division Online for "Canada: Pulse and Special Crops Situation and Outlook."

For more information, please contact:

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UNITED STATES AND CANADA: TOTAL OIL SUNFLOWER SEED SUPPLY AND DISPOSITION

	1999 -2000	2000 -2001	2001 -2002	2002 -2003p	2003 -2004f
.....thousand tonnes.....					
Carry-in Stocks	198	168	90	51	63
Production:					
United States	1,587	1,320	1,272	940	1,214
Canada	<u>55</u>	<u>30</u>	<u>24</u>	<u>47</u>	<u>80</u>
Total Production	1,642	1,350	1,296	987	1,294
Total Supply	1,840	1,518	1,386	1,038	1,357
Total Use	1,671	1,428	1,335	976	1,247
Carry-out Stocks	168	90	51	63	110
Stocks-to-use ratio (%)	10	6	4	6	9

UNITED STATES AND CANADA: TOTAL CONFECTIONARY SUNFLOWER SEED SUPPLY AND DISPOSITION

	1999 -2000	2000 -2001	2001 -2002	2002 -2003p	2003 -2004f
.....thousand tonnes.....					
Carry-in Stocks	37	104	112	80	47
Production:					
United States	383	288	279	193	185
Canada	<u>67</u>	<u>89</u>	<u>80</u>	<u>110</u>	<u>95</u>
Total Production	450	377	359	303	280
Total Supply	487	481	471	383	327
Total Use	383	369	391	343	312
Carry-out Stocks	104	112	80	47	15
Stocks-to-use ratio	27	30	20	14	5

Excludes imports as US imports are mainly from Canada and Canadian imports are mainly from the US.

p: preliminary, USDA and AAFC, September 2003

f: forecast, USDA and AAFC, September 2003

Source: USDA, Statistics Canada, and AAFC estimates

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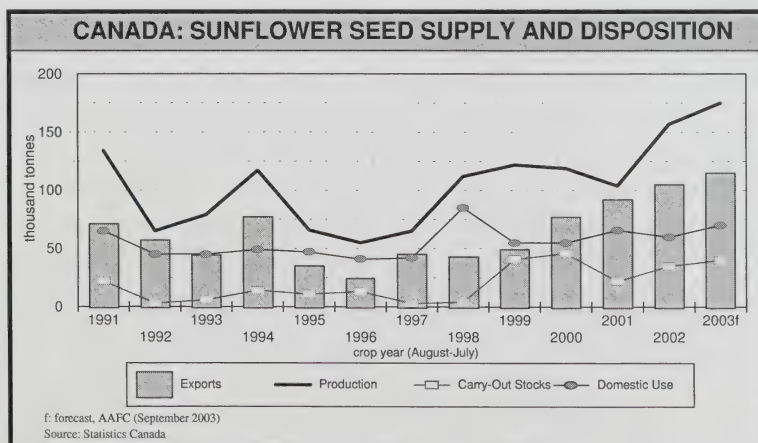
Canadian Special Crops Association, Market and Industry Services Branch (AAFC)

SUNFLOWER SEED: SITUATION AND OUTLOOK

US FARM SECURITY AND RURAL INVESTMENT ACT OF 2002 (FSRIA)

Under the 1996 Federal Agricultural Improvement and Reform Act, the national **loan rate** for both types of sunflower seed was US\$0.093 per pound (/lb). Under the FSRIA, separate loan rates of US\$0.0915/lb for the oilseed type and US\$0.121/lb for the confectionary type were introduced for 2002-2003, but revert to a single loan rate for 2003-2004 at US\$0.096/lb. For crop years 2004-2007, the loan rate is expected to fall slightly to US\$0.093/lb. These rates are for the top grade and there are discounts for lower quality seed. The loan rate varies by county and in North Dakota, the largest producing state, the 2003-2004 loan rate ranges from US\$0.0913-0.10/lb. The loan rate provides a floor return because if the price is lower than the loan rate, the producer is eligible for a loan deficiency payment. Average prices in North Dakota for the oilseed type were about US\$0.115, 0.10, 0.0675, and 0.07/lb for 2002-2003, 2001-2002, 2000-2001 and 1999-2000, respectively. The prices were above the 2003-2004 loan rate for the two most recent years, but below the loan rate for the previous two years. For the confectionary type, average prices were about US\$0.145, 0.115, 0.1175, and 0.1225/lb for 2002-2003, 2001-2002, 2000-2001 and 1999-2000, respectively. Since the loan deficiency payment for the confectionary type is the same as for the oilseed type, the confectionary type prices are not used in determining the loan deficiency payments. The current producer price in North Dakota for the oilseed type is about US\$0.10/lb, higher than the loan rate. Sunflower seed is eligible for the minor oilseeds **direct payment** of US\$0.008/lb. However, this is based on historical seeded area and yields and is theoretically decoupled from the area seeded during the year of the payout. Sunflower seed is eligible for the minor oilseeds **counter-cyclical** support based on the target price of US\$0.098/lb for crop years 2002 and 2003, and US\$0.101/lb for crop years 2004 to 2007. However, in calculating a counter-cyclical payment, the direct payment is first deducted from the target price. Therefore, since the target price minus the direct payment is less or equal to the loan rate or market price, no counter cyclical payment is expected for sunflower seed.

Program payments under the FSRIA are expected to support sunflower seed planting, especially in years when prices of alternative crops are low. Therefore, production will be higher than without the program payments, which will pressure Canadian prices.



SUNFLOWER SEED: SITUATION AND OUTLOOK

NuSun

NuSun is a mid-oleic (monounsaturated fatty acid) sunflower, developed by the United States Department of Agriculture (USDA), which has a low saturated fat profile. The oleic acid content of NuSun oil is about 65% compared to 16% for traditional sunflower oil, 61% for canola oil and 23% for soybean oil. Oil produced from NuSun hybrids contains about 65% monounsaturated fat, 26% polyunsaturated fat and 9% saturated fat, which is considered to be the optimum fat balance under current dietary fat recommendations. The 72% linoleic acid content of oil from traditional hybrids has been reduced to 26%, which means that hydrogenation, bubbling hydrogen into the oil, is not necessary for NuSun hybrids. Since there is no hydrogenation, there is no formation of trans fatty acids. The US National Academy of Sciences recommends limiting trans fat in the diet as much as possible. The high oleic acid and low saturated fat profile is believed to lower cholesterol and the risk of coronary heart disease.

There are several advantages to NuSun oil. First, the costs of hydrogenation are avoided since it holds up longer in frying vats without flavour deterioration. Second, trans fatty acids are not present because there is no hydrogenation. Third, processing costs are lower since it is not necessary to replace the oil as frequently during frying as with other vegetable oils. Finally, at frying temperatures, NuSun oil produces more flavour-stable snack food.

Commercial production of NuSun hybrids started in the US in 1998 and has increased significantly since then to meet market demand. The producers of NuSun receive a premium of about US\$11 per tonne (t) (CAN\$15/t) over traditional oilseed hybrids. The development of NuSun has shifted sunflower oil use in the US to domestic markets from export markets.

Sunola and Sunwheat

Shorter season varieties have been developed for areas where the traditional hybrids cannot be grown. They have the further advantage of being able to be sown and harvested with the same equipment as cereal grains or canola, whereas the traditional hybrids require specialized equipment. **Sunola** is a miniature, open pollinated sunflower developed at the Agriculture and Agri-Food Canada (AAFC) Research Centre at Saskatoon. It requires 99-103 days to maturity. The oil content is equal to the best sunflower hybrids. **Sunwheat** is a dwarf hybrid sunflower and requires 100-110 days to maturity. Its oil content is slightly lower than Sunola. It is more suited to the arid areas and able to withstand periods of summer heat better than some other crops. Both Sunola and Sunwheat have lower yields than traditional hybrids.

National Sunflower Association of Canada (NSAC)

The NSAC (www.canadasunflower.com) is a producer controlled organization dedicated "to ensure the profitability and long term growth of the sunflower crop through industry wide leadership". Buyers, exporters, processors, seed dealers, pesticide manufacturers and pesticide dealers can also become members of NSAC.

Canadian Special Crops Association (CSCA)

The CSCA (www.specialcrops.mb.ca) establishes trade rules and serves as a forum for exporters, dealers and brokers involved in the industry of trading Canada's pulse and special crops, including sunflower seed.

Canadian Grain Commission (CGC)

The CGC administers quality control standards for sunflower seed. There are two grades for each type of sunflower seed. In addition, sunflower seed can be graded "Sample" if it does not meet the specifications for the two grades. For further information, or to access the Official Grain Grading Guide, please visit the CGC website: www.grainscanada.gc.ca

B. CASH PRICES AND REPLACEMENT VALUES

September 08, 2003

PRAIRIE GRAINS

Selected Points	Price Basis		This week 8-Sep-03	Last week 25-Aug-03	Month ago 11-Aug-03	Year ago 9-Sep-02
From: Thunder Bay(WCE) (2)	In-Store	Wheat	145.00	146.50	126.30	183.50
(CBOT)		Oat	159.75	140.00	138.00	N/A
(Lethbridge)		Barley	135.40	147.20	123.00	192.40
To: Bayport, ON (1)	In-store	Wheat	168.61	170.11	149.91	206.60
		Oat	N/A	N/A	N/A	N/A
		Barley	162.79	174.59	150.39	219.55
Montreal, QC (1)	In-store	Wheat	173.03	174.53	154.33	211.35
		Oat	N/A	N/A	N/A	N/A
		Barley	167.71	179.51	155.31	224.67
Moncton, NB	Truck via Halifax	Wheat	195.25	196.75	176.55	233.82
		Oat	N/A	N/A	N/A	N/A
		Barley	191.90	203.70	179.50	251.03
Truro, NS	Truck via Halifax	Wheat	189.22	190.72	170.52	231.32
		Oat	N/A	N/A	N/A	N/A
		Barley	189.40	201.20	177.00	246.15
Halifax, NS (1)	In-store	Wheat	180.28	181.78	161.58	218.65
		Oat	N/A	N/A	N/A	N/A
		Barley	175.70	187.50	163.30	232.47
Stephenville, NL	Track / Truck via Sydney	Wheat	243.63	245.13	224.93	278.43
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	299.54
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 8-Sep-03	Last week 25-Aug-03	Month ago 11-Aug-03	Year ago 9-Sep-02
Corn						
From: US Lake Port	On Board Vessel		141.96	142.73	130.98	180.49
To: Montreal, QC (1)	In-store		161.00	161.77	150.02	199.39
From: Chicago (Mi)	Track		136.56	137.28	126.59	176.49
To: Montreal, QC	Track		165.42	166.14	155.45	205.52
From: Chatham, ON	Track		156.88	154.81	144.28	181.58
To: Montreal, QC	Track		180.68	178.61	168.08	204.96

Soymeal 48% Protein

From: Hamilton, ON			321.40	321.10	287.15	335.98
To: Montreal, QC	Track		345.73	345.43	311.48	360.40
Moncton, NB	Track		364.48	364.18	330.23	383.61
Truro, NS	Track		367.70	367.40	333.45	382.44
Stephenville, NL	Track / Truck via Sydney		416.33	416.03	382.08	431.24

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

Agriculture and
Agri-Food CanadaAgriculture et
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Bi-weekly Bulletin

September 19, 2003 Volume 16 Number 17

WHEAT: 2003-2004 OUTLOOK

World wheat production is expected to decline in 2003-2004, and carry-out stocks are forecast to decline to their lowest level since 1981-1982. This will provide support for world wheat prices. However, production in the five major exporting countries has increased sharply, and this is expected to more than offset the positive impact of the lower world stock levels. Global import demand will be the lowest since 1986-1987, further pressuring prices. For 2003-2004, prices are therefore expected to decline from 2002-2003. The strong Canadian dollar will further depress returns to Canadian farmers. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for wheat for 2003-2004. "Wheat" refers to all wheat including durum, unless otherwise specified.

WORLD

World wheat supplies for 2003-2004 are estimated by the United States Department of Agriculture (USDA) to have decreased by about 7% or 50 million tonnes (Mt) from 2002-2003, to 711 Mt, the lowest since 1995-1996, due to a combination of lower production and reduced carry-in stocks. Total wheat production is estimated at 547.0 Mt, a 3% decline from last year. Of this, durum wheat production is estimated by the International Grains Council (IGC) at 35.4 Mt, 6% higher than last year. Non-

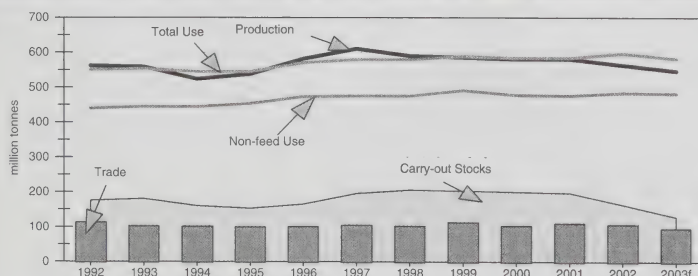
durum wheat production is down by 4%, at 511.6 Mt. All wheat consumption is projected to decrease by 3%, to 582.2 Mt, mainly due to a 12% reduction in feed use, to 99.8 Mt. The lower feed use is largely attributable to reduced imports of feed wheat into the European Union (EU) and lower use in Eastern Europe and the Former Soviet Union (FSU) due to small crops in that region. World wheat carry-out stocks are expected to decline by 21%, to 129.0 Mt, with the stock-to-use (S/U) ratio falling to 22%, the lowest since 1972-1973. Durum stocks in the three major exporting countries are forecast to

decline by 16%, to 2.4 Mt. Total wheat trade is expected to decline by 11%, to 95.6 Mt, the lowest since 1986-1987. Durum trade is forecast to fall by 13%, to 5.8 Mt, the lowest since 1995-1996.

United States

For 2003-2004, wheat seeded area was up marginally, but harvested area increased by 15% from 2002-2003, when drought affected a large portion of the Great Plains and resulted in above-normal abandonment in the hard red winter (HRW) and hard red spring (HRS) growing regions. Overall wheat yields are forecast to increase by 23% from last year. All wheat production is estimated by USDA at 2.29 billion bushels (Gbu) (62.4 Mt), 42% above 2002-2003. The largest increase has been to HRW wheat, which is up by almost 80% from last year. Soft red winter (SRW) production, on the other hand, is up by only 10%, while hard red spring wheat production is forecast to rise by 29%. As a result, prices on the Kansas City Board of Trade (KCBT), which trades HRW wheat, are expected to have a much smaller than normal premium over SRW wheat on the Chicago Board of Trade (CBOT) in 2003-2004. Currently, wheat on the KCBT is trading at

WORLD: WHEAT SUPPLY AND DISPOSITION



f: forecast, USDA, September 2003
Source: USDA



Canada

a slight discount to wheat on the CBoT. Durum production is forecast to rise by 10%, to 87 million bushels (Mbu), but remain about 15% below the 5-year average. Total US wheat exports are forecast to increase by 23%, to 1.05 Gbu (28.5 Mt), due to reduced competition from the EU and minor exporters such as Ukraine, Russia and India. Durum exports are projected to decline by 5%, to 35 Mbu. Carry-out stocks of all wheat are projected to increase sharply to 644 Mbu (17.5 Mt), 31% above 2002-2003, with a S/U ratio of 29%, versus 25% in 2002-2003, but remaining below the 5-year average of 36%. Durum stocks are forecast to decline by about 2%, to 22 Mbu, 37% lower than the 10-year average.

US wheat imports are forecast at 80 Mbu (including products), a 4% increase from 2002-2003, when imports declined from normal levels due to the poor quality and small size of the Canadian crop. Much of the increase will be of Ontario wheat, due to a record production in Ontario in 2003-2004.

The *Farm Security and Rural Investment Act* (FSRIA) has retained the loan deficiency payment and marketing loan program of the 1996 *Federal Agriculture Improvement and Reform Act* (FAIR), but has increased the loan rates for wheat and reintroduced target prices. The national loan rate for wheat for 2003-2004 is US\$2.80 per bushel (/bu), US\$0.22/bu higher than under FAIR. There is also a change to individual loan rates by class of wheat. The loan rates for SRW wheat are actually lower than they were under FAIR

in many counties, while the rates for HRW, HRS and durum wheat have increased. The loan rates for HRS and durum now reflect the premium that these crops receive in the market over other classes of wheat. The higher support levels may have resulted in higher seeded areas than justified by market prices, particularly for durum wheat.

Another feature of the FSRIA has been the reintroduction of a target price, which determines the "counter-cyclical payment". This is US\$3.86/bu for wheat, above both the loan rate and expected actual farm prices. The target price is not county-specific. The payment is calculated as the target price minus the fixed payment (US\$0.25/bu) minus the higher of the loan rate or the average farm price.

The payment is based on 85% of a farmer's base acres and yields, and is decoupled from a farmer's actual seeded area.

European Union

EU all wheat production has declined by an estimated 11% for 2003-2004, to 92.5 Mt, well below the 5-year average of close to 100 Mt, due to heat and dryness. Despite the lower production, total imports are forecast to decline by 67%, to a near-normal 4.0 Mt. In 2002-2003, despite a near-record EU crop, large supplies of cheap wheat from Russia and Ukraine flowed unimpeded into the EU until the imposition of a duty in January 2003. For 2003-2004, poor crops in these countries have left little wheat available for export. Despite a 35% increase in 2002-2003 exports, aided by an average subsidy of

US\$9 per tonne (/t), carry-out stocks rose by 35%, to 11.9 Mt, the highest since 1998-1999. These higher stocks have partly offset the lower production, and domestic supplies are down by only 6%. EU domestic consumption is forecast to decline by 4%, due to lower feed use. Exports are projected to fall by 39%, to 9.5 Mt, the lowest since 1978-1979. The use of export subsidies is not expected in 2003-2004, and none have been used so far this crop year. At the end of July, the EU indefinitely suspended the weekly open market export tenders, until it is known whether or not supplies are sufficient to meet domestic needs. Carry-out stocks are projected to fall by 46%, to only 6.4 Mt, the lowest in more than 40 years.

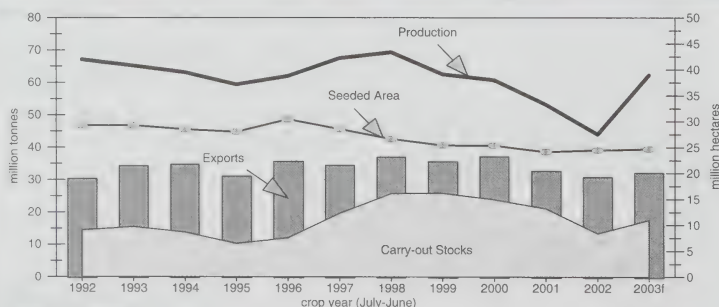
EU durum production is estimated by IGC to be down by 9%, at 8.3 Mt, due to the heat and dryness, particularly in southern France and Italy. Imports are projected to rise by 9% for 2003-2004, to 0.9 Mt, but remain below the 5-year average of 1.0 Mt. Carry-out stocks are forecast to remain at a below-normal 0.5 Mt. A large portion of the increased imports is expected to be sourced from Canada, with Canadian durum exports to the EU rising significantly compared to only 0.3 Mt in 2002-2003.

Australia

Australia experienced one of its worst droughts in 2002-2003, due to an El Niño weather phenomenon, and wheat production fell to only 9.4 Mt, the lowest since 1994-1995. Seeded area has increased, due to improved moisture conditions at seeding time, and USDA currently forecasts 2003-2004 production at 24.0 Mt. Exports are projected to increase by 36%, to 15.0 Mt (July-June), close to the 5-year average. Carry-out stocks are forecast to rise by 14%, to 2.6 Mt, but remain well below the 5-year average of 4.0 Mt.

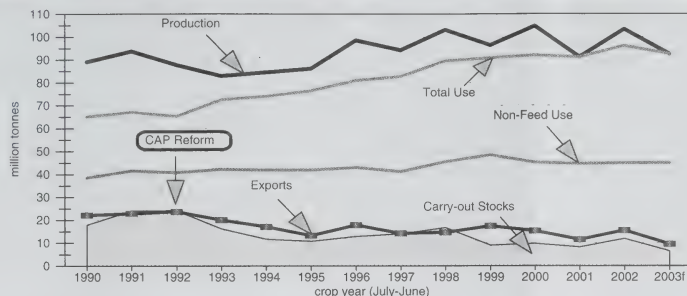
Australian durum production has increased sharply over the past decade, rising from less than 0.1 Mt in 1992-1993 to 0.5 Mt in 2001-2002. This declined to 0.3 Mt in 2002-2003 due to the drought, but it is expected to recover to 0.5 Mt in

UNITED STATES: WHEAT SUPPLY AND DISPOSITION



f: forecast, USDA, September 2003
Source: USDA

EUROPEAN UNION: WHEAT SUPPLY AND DISPOSITION



2003-2004. Australian durum tends to be of good quality due to the hot dry growing conditions, and Australia has become a major competitor in the premium Italian market. Exports are forecast by IGC to rise by 36% in 2003-2004, to 0.3 Mt.

Argentina

Argentine wheat production in 2002-2003 was hampered by an economic crisis, which limited farmers' access to credit, and use of inputs such as fertilizer and herbicides is reported to have declined. Excess rain was also received in many regions late in the growing season, further impacting on crop yields and quality. For 2003-2004, the economic situation is expected to improve and both area and yields are expected to increase. Production is forecast to increase by 10%, to 13.5 Mt, with exports expected to rise by 55%, to a near-normal 9.0 Mt (July-June). Argentine durum production has been slowly increasing, rising from just over 0.1 Mt in the early 1990's to 0.2 Mt in

2002-2003, and it is forecast to be unchanged for 2003-2004.

Former Soviet Union

Increased exports of wheat from the FSU countries, particularly Russia, Ukraine and Kazakhstan, became a major factor in world wheat trade in 2001-2002 and 2002-2003. The increased exports were made possible by two years of bumper crops, with 2002-2003 production reaching 99.2 Mt, the highest since 1990-1991. Exports reached a record 25.4 Mt in 2002-2003 (including FSU intra-trade), from only 4.8 Mt in 2000-2001. This accounted for 24% of total world wheat trade. Despite the large exports, carry-out stocks rose to 19.4 Mt in 2002-2003, from only 6.1 Mt in 2000-2001. However, for 2003-2004, production is down sharply, particularly in Russia and Ukraine. Harvested area is reported to be down by 17%, partly due to winterkill in Ukraine, with average yields down by 22% from 2002-2003. This

results in an estimated 36% decline in production, to 64.0 Mt, the lowest since 1998-1999. The lower production will be partly offset by the higher carry-in stocks, but supplies will still be down by 29% from 2002-2003. FSU exports are projected to fall by 61%, to 9.9 Mt. Carry-out stocks are forecast to decline by 36%, to 12.4 Mt.

The major durum producer in the FSU is Kazakhstan. Kazakh durum production is forecast by IGC to increase by 4% in 2003-2004, to 2.5 Mt. Most Kazakh durum is exported to other FSU countries.

Eastern Europe

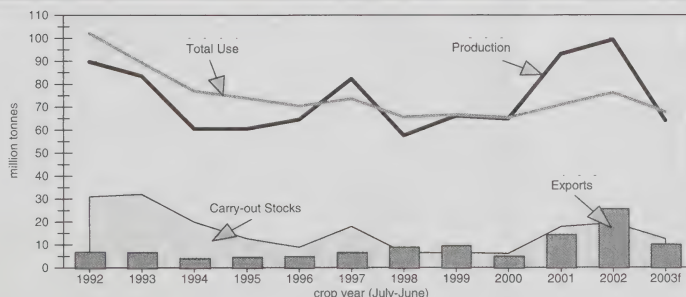
The Eastern European countries were affected by the same drought-like conditions as the EU in 2003-2004, and wheat production has declined by 28%, to 22.0 Mt, the lowest since 1970-1971. Exports are forecast to fall by 72%, to 1.3 Mt. Domestic use is expected to decline by 8%, largely due to reduced feed use. Carry-out stocks are forecast to fall by 49%, to 2.6 Mt, the lowest since 1985-1986.

Most of the Eastern European countries are expected to join the EU over the next few years, which could have major implications for world wheat trade. Hungary, Poland, the Czech Republic, Slovakia, and Slovenia are scheduled to join on May 1, 2004, while Romania and Bulgaria are expected to join by 2007. Once part of the EU, the modernization of this region's agriculture infrastructure and use of agricultural inputs is expected to increase rapidly. Production could quickly rise to 40 Mt or more, a level which was seen in the late 1980s under Communist rule. Although domestic consumption is expected to rise as this region's economy grows, the EU may be faced with the task of exporting a significant additional quantity of wheat.

India

Indian wheat production is supported by high internal guaranteed prices, and has been steadily increasing, resulting in a sharp buildup of stocks. Production reached a record 76.4 Mt in 2000-2001, fell back to 69.7 Mt in 2001-2002, and rose again to 71.8 Mt in 2002-2003. For

FORMER SOVIET UNION: WHEAT SUPPLY AND DISPOSITION



2002-2003, exports reached a record 5.0 Mt. Indian wheat tends to be of low quality, and much has been exported as feed into the southeast Asia market. It does not compete directly with Canadian wheat in any market, but its availability has had a depressing effect on world and thus Canadian prices nonetheless. For 2003-2004, Indian wheat production is estimated to have declined by 7%, to 67.0 Mt. Exports are forecast to decline to only 2 Mt, with carry-out stocks down by 22%, at 14.0 Mt, so that India should be much less of a factor in world wheat markets over the coming year.

Indian durum production averages about 2.0 Mt annually, most of which is used domestically. For 2003-2004, IGC estimates that production will decline by 14%, to 1.8 Mt.

China

Excluding the EU, China is the world's largest wheat producer, with production averaging 101 Mt over the past 5 years. Although it was a major wheat importer in the past, imports have been small since 1995-1996, and China has actually been a net exporter since 2000-2001. However, since 2001-2002 area seeded has decreased, largely due to lower government support, particularly for lower quality wheat, and an emphasis on producing higher quality varieties. For 2003-2004, production has decreased by 4% to only 87 Mt, the lowest since 1988-1989. With lower carry-in stocks, supplies are down by 12%, at 147.4 Mt. However, carry-in stocks remain high, at 60.4 Mt, equal to 57% of use, and as a result imports are forecast to remain low, rising from 0.4 Mt in 2002-2003 to 0.5 Mt for 2003-2004. Imports from Canada are expected to increase to about 0.20 Mt, from 0.15 Mt in 2002-2003.

Over the longer term, increased imports may be required, as wheat demand has exceeded production every year since 2000-2001. Changes to China's internal price support and import control policies, as part of China's compliance with World Trade Organization rules, are also expected to increase imports of wheat.

Middle East

After three years of drought, growing conditions in the Middle Eastern countries, particularly Syria, Iraq, and Iran, improved in 2002-2003, and another good crop is expected for 2003-2004, with production estimated at 36.3 Mt, just 1% below 2002-2003. As a result, regional imports are expected to decline by 4%, to 11.5 Mt, versus the 5-year average of 15 Mt. The major Canadian market in this region is Iran, which imported only 0.14 Mt of wheat from Canada in 2002-2003, due to a shortage of Canadian supplies. This is expected to rise in 2003-2004 due to increased supplies in Canada.

Syria and Turkey are the major durum producers in the Middle East. For 2003-2004, Syrian durum production is expected to decline by 4%, to 2.7 Mt, but remain above the 5-year average of 2.5 Mt. Exports are forecast by IGC to fall by 20%, to 0.4 Mt. Turkish production is expected to rise by 7%, to 3.2 Mt, but remain below the 5-year average of 3.3 Mt. Exports are forecast to be unchanged from 2002-2003, at 0.2 Mt.

North Africa

The North African countries, particularly Algeria, Morocco, Tunisia and Libya, are important to Canada as they make up the largest single market for durum wheat. North Africa is also a major market for non-durum wheat, but is not an important Canadian market, sourcing most of their soft wheat imports from the EU and US. For 2003-2004 North African wheat production has increased sharply due to an excellent growing season. Total wheat production is up by 43%, at 16.0 Mt, close to the record 16.8 Mt produced in 1996-1997. Durum production has increased by 80%, to 4.5 Mt, well above the 10-year average of 3.0 Mt. As a result of increased domestic production, imports are projected to decline sharply. Total wheat imports are forecast by USDA to fall by 29%, to 12.9 Mt, the lowest since 1985-1986. Durum imports by Algeria, Morocco, Tunisia and Libya are forecast by IGC to decline by 31%, to 2.5 Mt, the lowest since 1996-1997. Canadian durum exports to North Africa are projected to decline from 1.6 Mt in 2002-2003.

Canada

For **non-durum wheat**, 2003-2004 seeded area declined slightly, to 8.1 million hectares (Mha). However, due to much reduced abandonment compared to 2002-2003, when large portions of Saskatchewan and Alberta experienced a second year of drought, harvested area is estimated to have increased by 25%. Hot dry conditions in July across most of western Canada reduced yield potential, but average yields are projected to be up by 15% from last year, at 2.15 tonnes/hectare (t/ha) {31.9 bushels per acre (bu/ac)}, about 2 bu/ac below the 10-year average. Production is estimated at 17.2 Mt, 44% above 2002-2003. Quality of the western crop is currently expected to be good, due to the hot dry growing conditions and an early harvest. In Ontario, production is estimated at a record 2.2 Mt, largely soft white winter and SRW wheat, due to a record seeded area and good yields.

Carry-in stocks have fallen by 23%, partly offsetting the higher production, and supplies are projected to be 22% higher than for 2002-2003, at 21.2 Mt. Exports are forecast to increase by 68%, to 10.4 Mt. Carry-out stocks are projected to be relatively unchanged at 4.0 Mt, due to improved crop quality and strong export demand.

For **durum wheat**, 2003-2004 area seeded was unchanged at 2.5 Mha. However, a return to normal levels of abandonment is expected to result in an 11% increase in harvested area. The heat and dryness this summer has reduced durum yield potential, and the average yield is estimated at 1.55 t/ha (23.1 bu/ac), 9% lower than in 2002-2003. However, with a larger harvested area, production is estimated to increase by 2%, to 3.8 Mt. As with non-durum wheat, quality is expected to be good due to the hot dry growing conditions and an early harvest.

Carry-in stocks are up by 8%, at 1.7 Mt. Supplies are projected to be up by 3%, at 5.4 Mt, below the 5-year average of 6.3 Mt. Exports are projected to rise by 16%, to 3.4 Mt, due to increased supplies, particularly of the top milling grades.

Carry-out stocks are expected to fall by 22%, to 1.3 Mt, well below the 5-year average of 1.9 Mt.

PRICE OUTLOOK

World

For 2003-2004, wheat prices are being supported by the projected 20% decrease in world carry-out stocks and the reduced production in the EU, Eastern Europe and the FSU. However, global import demand is expected to be sharply lower than in 2002-2003 and major exporter stocks are forecast to decline by only 4%, with US stocks rising by over 30%. As the major wheat futures markets are located in the US, and since the US is a major producer and exporter of wheat, US production and disposition factors have a disproportionate impact on world wheat prices. As a result of the higher US wheat stocks, wheat prices are expected to generally decrease from 2002-2003 levels. AAFC forecasts that world prices, as measured by the benchmark US Hard Winter Ordinary (HWO) price, FOB Gulf ports, which is determined largely by the KCBT futures market, will decrease from US\$161/t in 2002-2003 (June-May), to about US\$150/t for 2003-2004.

United States

The major wheat futures markets are located in the US, and the prices determined in US markets generally provide direction to world prices. For 2003-2004, average US wheat prices are expected to decline due to rising US stocks. The price changes will vary by class of wheat. SRW prices on the CBoT are expected to average near last year's level of US\$3.37/bu, due to the relatively small 7% expected increase in SRW carry-out stocks. HRW prices on the KCBT, on the other hand, are expected to decline due to sharply rising stocks.

For HRW wheat, US 2003-2004 production is estimated by USDA at 1.09 Gbu, up by 79% from the drought-reduced 2002-2003 crop, and the S/U ratio is forecast to rise from 24% in 2002-2003 to 36% in 2003-2004. This is expected to result in the average nearby KCBT HRW price decreasing from US\$3.75/bu in 2002-2003 to US\$3.50/bu in 2003-2004 (June-May). The premium over SRW wheat on the CBoT is expected to decline to under US\$0.10/bu, versus the normal US\$0.22/bu.

For HRS wheat, US production in 2003-2004 is estimated by the USDA to rise by 29%, to 460 Mbu. Despite larger

supplies, exports are forecast to be relatively unchanged, at 255 Mbu. Carry-out stocks are forecast to increase by 4%, to 151 Mbu, with the S/U ratio unchanged at 31%. The average price is expected to decline somewhat from last year's level, due to increased supplies of hard red wheat (both winter and spring) in the US. The cash price for Dark Northern Spring wheat with 14% protein (DNS 14) at Minneapolis is forecast at US\$4.30/bu, down from US\$4.49/bu in 2002-2003.

For durum wheat in 2003-2004, US production has increased by 10% from 2002-2003, to 87 Mbu, due to improved yields. Exports are forecast to decline by 5%, to 35 Mbu. Carry-out stocks are forecast to decline by 21%, to 22 Mbu. However, world durum prices are being pressured by the larger North African, Canadian and Australian crops. The US No.3 Hard Amber Durum (HAD) export price FOB Gulf is expected to decrease from US\$205/t in 2002-2003 to US\$190/t in 2003-2004 (June-May).

Canada

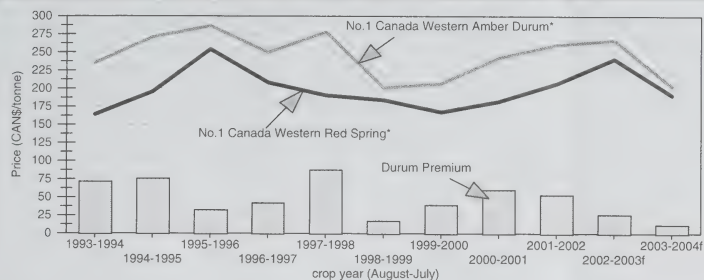
The CWB normally prices the wheat and durum it sells competitively with US wheat of similar quality. The prices obtained by the Canadian Wheat Board (CWB) are therefore, in large part, determined by US

NEW CANADIAN WHEAT BOARD PROGRAMS FOR 2003-2004

The CWB announced three new programs for 2003-2004 that will enhance cash flow for western Canadian farmers:

1. A **pre-delivery top-up program (PDT)**, designed to top-up the federal government's Advance Payment Program, will enable producers to access a greater portion of the value of their wheat before delivery. The normal advance payments are set at about 50% of the expected average on-farm price for the crop. Under the PDT, producers will now be able to access close to 80% of the PRO, through a combination of the federal cash advance program and the top-up amount. Amounts received under the PDT will be repaid through deductions on farmers' adjustment, interim and final payments. Farmers will pay interest - at prime - on money received through the program and they can repay at any time without penalty. For 2003-2004, this is a pilot program on selected classes of wheat - Canada Western Red Winter, Canada Western Extra Strong, Canada Prairie Spring, Canada Western Hard White and Canada Western Soft White Spring. The top-up is the same for each class and grade, and has been set at \$25/t.
2. A new **early payment option (EPO)** will give farmers access to 80% of the PRO for their wheat and feed barley when they deliver. The program is intended to provide farmers with additional cash flow over and above the initial payments. The 80% EPO will operate much the same as existing EPOs, which currently guarantee farmers 90% of the PRO. However, this new program will be cheaper to use because of the lower risk. Farmers who choose to participate in the 80% EPO will pay approximately \$1/t to cover risk, time-value of money and administration costs.
3. A **90% EPO program for durum** was introduced on August 28. Previously, only wheat, barley and designated barley were eligible for the 90% EPO.

CANADIAN WHEAT BOARD: FINAL REALIZED WHEAT PRICES



F: forecast, August 2003 CWB Pool Return Outlook
Source: Canadian Wheat Board

U/S VC/TB to 1994-1995; U/S VC/SL 1995-1996 to present
* 11.5% protein after 1999-2000

crop conditions, domestic consumption and exports. Despite relatively small declines in the US price for HRS wheat, CWB returns are expected to decline significantly due to the strengthening Canadian dollar. Grain is traded on world markets in US dollars, and a stronger Canadian dollar means that returns are lower in Canadian dollar terms. For 2002-2003, the Canadian dollar averaged US\$0.668, up from US\$0.637 in 2001-2002. So far in 2003-2004, the dollar has averaged about US\$0.72, and the major banks forecast that the crop year average will be about US\$0.74. If the CWB sold a cargo of wheat for US\$150/t in 2002-2003, it would have returned the wheat pool about CAN\$225/t. In 2003-2004, it is

projected that the same US\$150/t sale would bring only CAN\$203/t, a decline of CAN\$22/t or 10%.

For non-durum wheat, the August CWB 2003-2004 Pool Return Outlook (PRO) for No.1 CWRS with 13.5% protein is \$201/t in-store Vancouver or St. Lawrence (I/S VC/SL), down by 20% from 2002-2003. The decrease in prices has been even stronger for lower protein CWRS wheat. The PRO for No.1 CWRS with 11.5% protein is down by 21%, at \$191/t. The CWB generally receives prices for high protein No.1 and No.2 CWRS wheat that are competitive with US prices for DNS wheat, while lower protein CWRS wheat and CPS wheat are competitive with US

HRW wheat. Based on the August PRO, the western Canadian average on-farm price for No.1 CWRS 13.5% protein will be about \$150/t, compared to \$200/t for 2002-2003.

For durum wheat, the 2003-2004 August PRO for No.1 Canada Western Amber Durum (CWAD) with 11.5% protein is \$203/t I/S VC/SL, down by 24% from 2002-2003. A premium of \$12/t over No.1 CWRS 11.5% is forecast, versus \$26/t in 2002-2003. A western Canadian average on-farm price of about \$158/t for No.1 CWAD 11.5% is expected, compared to \$217/t in 2002-2003.

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US DEPARTMENT OF COMMERCE (DOC) INCREASES DUTIES ON CANADIAN WHEAT

On August 29, 2003 the DOC raised the provisional countervail duty (CVD) on HRS wheat and durum to 5.29%, from the preliminary level of 3.94%. The CVD now includes the government provision of railcars and comprehensive financial risk programs. The antidumping duties were raised to 8.87% for HRS wheat and 8.26% for durum, up from 6.12% and 8.15% respectively.

The US International Trade Commission is expected to rule whether injury has occurred by mid-October. If no injury or threat of injury is found, definitive antidumping and countervailing duties would not be levied and all bonds for provisional duties will be cancelled.

The CWB has stated that it will continue to sell into the markets that provide the best return for Prairie farmers, and will consider all options to meet that goal when selling to customers in the US and around the world.

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CANADIAN FEEDGRAIN CONSUMPTION

The reforms to western Canadian grain transportation policy in the 1990s shifted focus away from exports of bulk grain, toward diversification, value-added and adaptation. As a result, livestock production and the domestic use of feedgrain in western Canada generally increased except for the recent drought years. This issue of the *Bi-weekly Bulletin* provides an overview of the utilization of feedgrain in Canada by type of livestock.

The domestic feedgrain market consists of the market for coarse grain (barley, corn, oats, rye, mixed grain) and feed wheat. Soymeal and canola meal are also significant components in livestock rations as a source of protein. The feedgrain market is dominated by barley in western Canada and corn in eastern Canada. Historically, western Canada produces a significant surplus of barley. However, drought in 2002 and, to a lesser extent, in 2001 severely reduced the availability of feed barley in western Canada. As a result, imports of United States (US) corn and domestic feed wheat have played an increasing role. Due to the unusually low level of barley production in 2002, and the high volume of corn imported from the US, the following discussion will focus on the situation prior to 2002-2003 in examining the distribution of feedgrain use by type of livestock. Thus the changes brought about by the Bovine Spongiform Encephalopathy (BSE) crisis that began in May 2003 will not be discussed. The use of protein meal will be discussed in a subsequent issue.

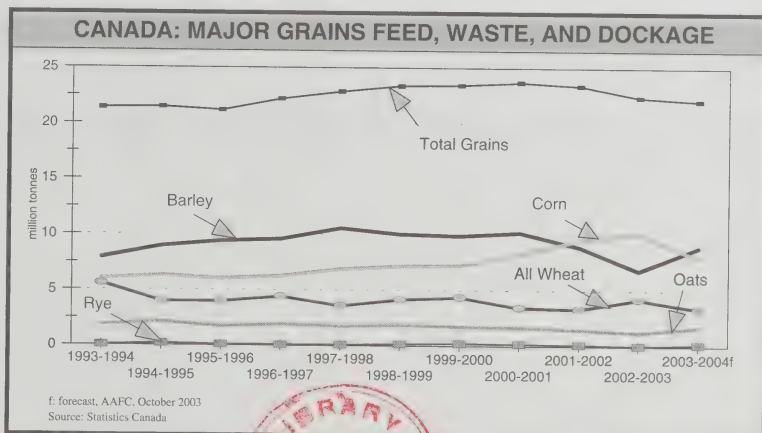
Barley and corn represent about 35% and 40%, respectively, of the feedgrain used in Canada during 1999-2001. Feed wheat, oats and other grains represent about 25%.

In the past, rye was a significant element in the feed market but the production of rye steadily decreased during the 1990s and it is no longer widely used as a feedgrain. The role of oats as a feedgrain has also decreased over the decade with the utilization of oats being increasingly dominated by

exports to the US and domestic food processing.

PRODUCTION

Due to drought, the production of feedgrain in western Canada decreased to about 14 million tonnes (Mt) in 2001 versus the 10-year average of about 17 Mt. In eastern Canada, the production of feedgrain was about 11 Mt, similar to the 10-year average.



Canada

Wheat

The availability of feed quality wheat is largely dependent on weather and growing conditions. Wheat is primarily produced for the more lucrative high quality milling wheat market. However, the demand for feed wheat by the hog and poultry markets is fairly constant, and if the supply of feed quality wheat is insufficient, as is the case in most years, lower quality milling wheat will enter feed channels. The most common types of milling wheat used for feed are Canada Prairie Spring Red (CPSR), Canada Western Red Winter (CWRW), No.3 Canada Western Red Spring (CWRS) and Canada Western Extra Strong (CWES). In some years of tight feed supplies, there have been reports that lower protein No.2 CWRS has even been purchased for feed. Feed wheat for domestic consumption is generally purchased off-Board, with the Canadian Wheat Board normally exporting all feed wheat entering its pool accounts. The off-Board price for wheat would have to be competitive with imported corn. Having a lower starch content than corn, the price of feed wheat is generally lower than the price per tonne of corn. Wheat does however have a higher protein content than corn. Though this is helpful from a feed perspective, the starch content has the most influence on feed prices.

Barley

Barley is a major feed crop, especially on the prairies. However, in general, 15-20% of the barley produced is selected for malting purposes with the residual going into the feed sector. Due to dry conditions in 2001, barley production in western Canada fell to 10 Mt compared to the 10 year average of 12 Mt. The impact was predominantly felt in the feed industry, although there was also an extreme shortage of barley which was suitable for malting. The selectability of barley for malting is largely determined by whether it is of the proper variety with a sound plump kernel of adequate germination and in the proper protein content range.

Corn

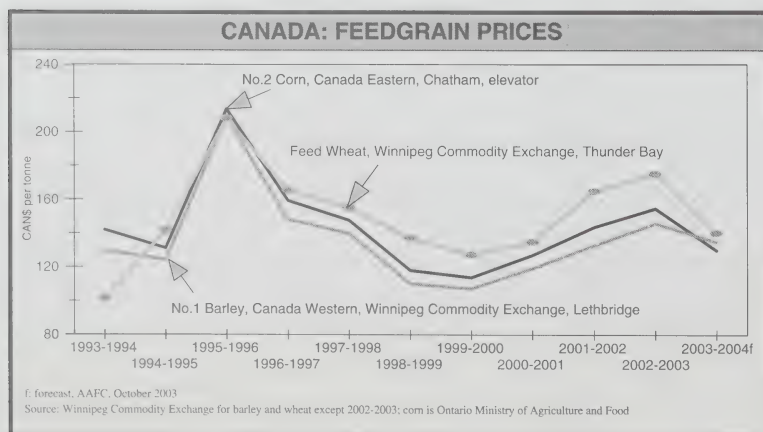
Corn has a high starch content which makes it especially valuable both as feed, and for some industrial uses such as ethanol. The vast majority of the corn produced in Canada, or imported, goes into the feed market. In the crop year 2001-2002, food and industrial use of corn in Canada absorbed 2.385 Mt while the feed, waste and dockage accounted for 10.121 Mt. About 65% of Canada's corn production comes from Ontario and about 30% from Quebec. In western Canada, imported corn from the US is

the most readily available substitute for barley in the livestock feed market. Corn production on the prairies, specifically in Manitoba, has been increasing over the decade due to the introduction of new varieties that require fewer heat units.

Canadian corn imports more than tripled in the period 1999 to 2001, rising from 1.022 Mt to 3.844 Mt. In the period 1989 to 1999 a yearly average of 817,900 tonnes (t) of US corn was imported. The surge of imported corn from the US partially was a result of the droughts experienced in western Canada. This resulted in a shortage of feed grain and prices rising to the point where US corn could be purchased, transported and still be competitive with local supplies. Because of the very large supply of US corn, the landed price of US corn represents the ceiling on Canadian feed grain prices.

Oats

Oats are a small part of the feed market compared to barley and corn. The high fibre content of hulled oats decreases the nutrient value of oats and increases the time and cost required to reach slaughter weight. There has also been a significant increase in recent years in the use of oats for domestic processing, resulting partly from the increase in shipping costs after the abolition of the Western Grain Transportation Act (WGTA). A significant portion of Canada's oat production is exported to the US, mostly for the food market. The main feed market in Canada for oats is cattle. However race horses and pleasure horses in both Canada and the US are regularly fed on high quality (relatively expensive) oats. Lower quality oats are also used for breeding cattle and younger animals on feedlots.



CANADA: FEEDGRAIN USE*

1999-2001 average	Wheat	Barley	Corn	Oats	Other ^{1/}	Total Grains	Protein Meal ^{2/}	Total
.....thousand tonnes.....								
CANADA								
Beef Cattle	145	3,396	768	1,554	579	6,442	349	6,791
Dairy Cattle	116	952	1,824	60	344	3,295	471	3,765
Hogs	818	2,001	3,676	30	304	6,829	1,396	8,225
Chickens	402	179	836	0	40	1,456	391	1,847
Layers	274	0	250	0	43	566	133	699
Turkeys	100	0	131	0	11	243	81	324
Horses	0	71	22	178	13	285	27	312
Sheep/Lambs	1	34	7	7	4	53	3	56
Total	1,857	6,632	7,514	1,829	1,337	19,169	2,851	22,019
WESTERN CANADA								
Beef Cattle	97	3,253	85	1,492	449	5,377	197	5,574
Dairy Cattle	15	607	39	7	84	752	108	860
Hogs	574	1,811	345	8	278	3,016	505	3,521
Chickens	243	179	0	0	0	422	113	535
Layers	200	0	10	0	1	211	49	260
Turkeys	72	0	0	0	0	72	24	96
Horses	0	50	8	131	3	193	16	209
Sheep/Lambs	0	23	0	4	0	27	1	28
Total	1,202	5,923	487	1,642	816	10,070	1,013	11,084
EASTERN CANADA								
Beef Cattle	48	143	683	61	130	1,065	152	1,217
Dairy Cattle	101	345	1,785	52	259	2,542	363	2,905
Hogs	244	190	3,331	22	27	3,814	891	4,704
Chickens	159	0	836	0	40	1,035	277	1,312
Layers	74	0	240	0	42	356	84	439
Turkeys	28	0	131	0	11	171	57	228
Horses	0	21	14	47	10	92	11	102
Sheep/Lambs	1	11	7	4	3	25	3	28
Total	655	709	7,027	186	521	9,099	1,836	10,935

*These feedgrain use estimates, of about 19 Mt for the period 1999-2001, were derived by Statistics Canada. For each type of livestock, each age group is assumed to consume a specified ration, and the total use is determined by aggregating the use by each animal subset. These estimates are significantly lower than the feed, waste, and dockage (FWD) estimates of about 24 Mt for wheat and coarse grains published by Statistics Canada in its Supply and Disposition tables. The difference in the estimates is partially accounted for by the inclusion of waste and dockage in the FWD estimate and in the fact that the FWD is a residual which would incorporate any estimation errors in production, imports or exports, food/industrial use or carry-in/carry-out stocks. Also, the feedgrain use estimates are dependent on the accuracy of the estimates of the number of animals by age category obtained by survey and the assumed composition of the rations. The animals' weight and stage of development are also very important factors that should be taken into consideration.

^{1/} Other: Rye, Dry Peas, Mill Screenings

^{2/} Meal: Soybean meal and Canola Meal

Source: Statistics Canada except layers and turkeys which were derived by AAFC.

DEMAND FOR FEED

Feed demand has been steadily increasing over the past few years. A dramatic increase in the size of the hog industry has contributed to this trend. As well, steady growth in cattle production has pushed up the level of feed demand. The livestock sector has benefited considerably from both the abolition of the WGTA and the resulting interest in value-added activity.

Cattle

The cattle industry has grown significantly to 15.3 million head (Mhd) in 2002 versus 12.7 Mhd in 1995. Most of the increase consisted of beef cattle, as rising dairy productivity more than made up for increased demand. From 1995 to 2002 the number of cattle increased significantly in Manitoba and Alberta. In total, dairy and beef cattle consumed about 50% of the feedgrain during 1999-2001.

Cattle are ruminants, multi-stomach animals, that make use of bacteria to break down feed. For cattle, roughage can be substituted for feedgrain. For health reasons some roughage is required in a cattle ration. As a result, relative prices of the various feedgrains and roughage sources (various hays and straws) have a significant impact on the composition of the feed ration. Barley's high fibre content accounts for the popularity of barley in cattle rations. Corn makes up much of the rest of the grain fed to cattle.

Hogs

The Canadian hog population has grown from 11.5 Mhd in 1995 to 14.7 Mhd in 2002. Hogs are the second largest consumer of Canadian feed and feedgrains, consuming approximately 36% of the feedgrain consumed during 1999-2001. Nutrition

is very important to the hog industry, owing to the rapid growth and monogastric nature of hogs.

Corn, barley and wheat are all used for hog feed. In eastern Canada, corn is the primary feedgrain. Both domestic and imported corn contribute to the eastern feed market. In western Canada, the market is slightly more complex with both imported corn and domestic wheat and barley going into the feed market.

The prairie hog industry has grown enormously in the past few years, with the number of "pigs on farms" growing by 76% in Manitoba, 39% in Saskatchewan and 11% in Alberta from 1995-2002. The growth rate was 16% in Ontario and 34% in Quebec. Much of this growth, especially on the prairies, has been directed towards the export market.

Poultry

Poultry is another large consumer of feed. Supply management has led to a relatively stable poultry industry, growing with population over time. Chickens are the primary poultry product and consume the vast majority of feed, with turkeys consuming the bulk of the remainder.

Total chicken production has increased to 954

million kilograms (Mkg) in 2001 from 686 Mkg in 1995. Turkey production increased to 146 Mkg in 2002 from 142 Mkg in 1995. All poultry accounted for about 15% of feed consumption for 1999-2001.

Other

Other noteworthy consumers of feed are sheep, lambs and horses. Horses are primarily used for recreational purposes. The numbers are relatively steady, and they represent a small but premium portion of the overall feed market. Sheep and lambs are also a small portion of the feed market, however this portion is growing. From July 1995 to July 2002, sheep and lambs on Canadian farms grew by over 50% to 1.25 Mhd. Both sheep and horses are sensitive to fusarium.

CANADA: LIVESTOCK POPULATIONS

at July 1	1999	2000	2001	2002	2003*
.....thousands.....					
CANADA					
Cattle	14,753	14,968	15,424	15,336	15,728
Hogs	12,688	13,401	14,050	14,668	14,566
Chicken	47,830	50,593	53,216	51,799	49,390
Turkey	20,001	21,159	20,057	19,572	n/a
Sheep/Lambs	979	1,105	1,247	1,252	1,249
WESTERN CANADA					
Cattle	10,975	11,234	11,640	11,533	11,785
Hogs	4,983	5,410	5,882	6,324	6,208
Chicken	16,207	17,359	18,100	17,677	16,152
Turkey	5,819	6,242	5,894	5,781	n/a
Sheep/Lambs	471	534	605	591	555
EASTERN CANADA					
Cattle	3,778	3,734	3,784	3,802	3,943
Hogs	7,705	7,991	8,167	8,344	8,357
Chicken	31,623	33,234	35,116	34,122	33,238
Turkey	14,182	14,917	14,163	13,791	n/a
Sheep/Lambs	508	571	642	661	694

* Hogs and Chicken are at April

n/a = not available

Source: Statistics Canada, Chicken Farmers of Canada, Canadian Turkey Marketing Agency

Ethanol

As a result of Canada's commitment to the Kyoto agreement, the ethanol industry appears to be on the verge of expansion, especially in western Canada. Grain or other feedstock is used to produce ethanol which can be blended with gasoline to reduce greenhouse gas emissions. Federal and provincial incentives are available to encourage the expansion of Canada's ethanol production capacity. The main by-product of the ethanol production process, dried distillers grain (DDG), can be used as feed. However, DDG has a lower starch content and, in some cases, a higher fusarium content which limits its value. Ethanol producers are interested in the same starch content as feedlots. If realized, the proposals in Manitoba and Saskatchewan to increase ethanol production are expected to increase the availability of DDG.

Fusarium

Wheat and barley, primarily in eastern Saskatchewan, Manitoba's Red River valley and parts of Ontario have been affected by a fungal disease known as Fusarium Head Blight - also referred to as "tombstone" kernels or, in the US,

as "scab." High moisture levels, combined with high temperatures during the flowering stage, are ideal climatic conditions for the development of fusarium in wheat and barley. The value of grain containing fusarium depends on the fusarium content and the options for cleaning and blending it with fusarium-free grain. (Fusarium damaged wheat or barley has been traded inter-regionally within western Canada depending upon its fusarium content and which livestock sector can make the best use of grain with a specific level of fusarium damage. Cattle are more tolerant of fusarium than hogs.) Some feed barley from Manitoba and Saskatchewan with a fusarium content that exceeds the threshold for hogs has been shipped to Alberta's cattle sector, while barley from Alberta is shipped to Manitoba hog producers. The prevalence of fusarium in prairie grain has decreased significantly to a minimal level over the last few years, due to dry conditions.

PRICES

The world price of feedgrain is largely determined by the price of corn on the US Chicago Board of Trade (CBOT)

futures market. However, feed wheat prices are also a factor to consider because wheat can substitute for corn. On a per tonne basis, after accounting for the exchange rate and nutrient quality differences, the landed price of US corn provides a ceiling for the price of feedgrain in Canada. Thus, during periods of high production in western Canada, the price of barley is below the landed price of US corn and during periods of short supply, the landed price of US corn provides a ceiling for the price of barley in western Canada.

Outlook: 2003-2004

The price outlook for feedgrains in Canada for 2003-2004 is highly dependent on several factors such as US corn prices, the Canada/US exchange rate, and feedgrain production and demand in Canada.

The average **US farm price** for corn is forecast by the United States Department of Agriculture (USDA) at US\$1.90-2.30 per bushel (/bu) in 2003-2004. The nearby CBOT corn futures price is expected to average US\$2.15/bu.

DRIED DISTILLERS' GRAIN (DDG)

Ethanol is produced mainly from wheat in western Canada and corn in eastern Canada. In 2002, Canada produced about 165,000 tonnes (t) of DDG. One tonne of wheat generates about 370 litres (L) of ethanol and 0.35 t of DDG with an average protein content of 38% versus 35% for canola meal. Assuming a price discount of 10% from its nutrition value, the price of DDG in western Canada should be similar to that of canola meal for which the current price is about \$165/t.

In addition to the protein content, other major factors influencing the price of DDG are: (1) the consistency (stability) of supply, (2) the location of the livestock enterprise relative to the location of the ethanol plant, (3) the type of livestock enterprise, i.e. hogs or cattle, since hogs are not the major consumer of DDG, and (4) the quality and type of grain that was used as feedstock. The fusarium content of DDG is totally dependent on the fusarium content of the feedstock, since the ethanol production process does not alter the fusarium level.

In the US, the majority of ethanol is produced from corn and 1 t of corn yields about 400 L of ethanol and 0.30 t of DDG. The average protein content is 30% for corn DDG versus 48% for soymeal. The current market price for DDG is about US\$120/t, which represents a 10% discount compared to the current price of about US\$200/short ton for soymeal, after adjusting for protein content.

DRY PEAS AND PROTEIN MEAL

Dry peas are used to a significant extent in Canada and Europe in the hog production industry and, to a lesser extent, for the poultry, cattle and other livestock sectors. Dry peas have a protein content of about 22.5%. They are a good source of energy and contain amounts of digestible energy similar to wheat. Pea protein, protein from cereals, and canola meal are nutritionally complementary, enhancing each one's value when used in rations. Usually peas displace soymeal and high energy grains, such as wheat or corn, in a hog ration. Therefore, a formula of one-third of the price of soymeal and two-thirds of the price of wheat or corn gives an approximation of the opportunity price of peas. For example, in Manitoba, the current price of corn is about \$130/t and the price of soymeal is \$320/t. This implies that the opportunity price for dry peas is about \$190/t versus the current market price of about \$155/t for dry peas and indicates that there is a significant economic advantage to using peas.

An innovative use of dry peas in livestock feed is a mixture of two-thirds ground peas and one-third canola meal. In a mixture of peas and canola meal, peas complement canola meal. Although canola meal is an excellent source of protein, it is low in digestible energy. Peas have high energy digestibility, and the amino acid profile of peas, which is high in lysine, complements the amino acid profile of canola meal, which is high in methionine and cystine.

For more information on dry peas, please contact:

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The production of **feedgrain** in Canada is estimated to increase significantly, in line with total production of grains, oilseeds and special crops, due to increased yields as the crop in western Canada recovers from the 2002-2003 drought. In general, coarse grain prices in Canada are expected to decrease because of higher domestic feedgrain production and the stronger Canadian dollar.

Wheat production has increased considerably in 2003 but the higher quality of the crop will reduce the availability of wheat for feed. The price of No.3 CW Feed Wheat in-store (I/S) Thunder Bay is forecast to decrease to about \$140 per tonne (/t) from \$174/t for 2002-2003.

Domestic use of **feed barley** is expected to increase considerably, displacing imports of US corn and other domestic crops. The average price of barley (No.1 feed, cash, I/S Lethbridge) is forecast to decrease to \$135/t from \$172/t in 2002-2003.

Increased **oat** supplies are expected to lead to a considerable increase in exports to the US, in addition to higher domestic feed use. The average price of oats (US, No.2 heavy, CBoT nearby futures) is forecast to decrease to CAN\$135/t from CAN\$194/t in 2002-2003.

Corn imports to western Canada are expected to decline considerably as they are displaced by increased supplies of domestic feed barley. The average price of

corn (No.2 Canada Eastern, cash, I/S Chatham) is forecast to decrease to \$135/t from \$145/t in 2002-2003.

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CANADA: GRAINS AND OILSEEDS OUTLOOK

October 8, 2003

For 2003-04, total production of grains and oilseeds in Canada is estimated by Statistics Canada at 58 million tonnes (Mt) versus 43 Mt in 2002-03 and the 10-year average of 59 Mt. In western Canada, production is estimated to increase to 42 Mt from 29 Mt in 2002-03. Yields are below trend but generally higher than in 2002-03. Harvest is nearly complete in western Canada and underway for corn and soybeans in eastern Canada. The proportion of the wheat and durum crop in western Canada in the top two grades is expected to be significantly higher than 2002-03 and the protein content is expected to be above normal due to the hot dry growing conditions. Barley protein levels will also likely be higher than normal, but high protein is not desirable in malting barley. Fusarium is not expected to be a problem in wheat or barley. In eastern Canada, production is estimated to increase by 9% from 2002-03, with near-trend yields. Total Canadian supplies have increased, as higher production more than offsets low carry-in stocks. Total exports are forecast to rise to 24 Mt from 15 Mt in 2002-03.

It has been assumed that the trade disruptions affecting the cattle and beef sector, related to the single case of bovine spongiform encephalopathy (BSE) in Alberta, will not have a major impact on feed use in 2003-04. This is partially supported by the lifting of the ban on certain imports of Canadian boneless beef by the US, Mexico and a number of other countries.

Average world prices for wheat for 2003-04 are expected to decline from the 2002-03 level due to higher production in most of the major exporting countries. Some offsetting price support has been received from the smaller crops in the EU, Eastern Europe, Ukraine and Russia, with the EU suspending its weekly open market export tenders for wheat since July 31. For coarse grains, world prices are expected to remain strong, due to a continuation of low corn supplies in the US and low barley production in Europe. For oilseeds, world prices are expected to rise due to significantly lower than expected soybean production in the US. In Canada, prices for grains and oilseeds are expected to decline, due to increased supply, as higher production for most crops more than offsets lower carry-in stocks and the stronger Canadian dollar. The major factors to watch are growing conditions for corn and soybeans in the major importing and exporting regions, wheat production prospects in the southern hemisphere, EU grain export policy, import demand from China and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2003-04, production increased by 46% from 2002-03, to 18.0 Mt, but remains below the 10-year average of 19.9 Mt. The increase in production will be partly offset by 23% lower carry-in stocks, and total supplies are expected to increase by 24% from 2002-03 to 22.0 Mt. Exports are forecast to increase by 80% to 11.2 Mt, from only 6.2 Mt in 2002-03, but remain well below the 10-year average of 13.5 Mt. Feed use is expected to decline by 21% from 2002-03, to 3.1 Mt, due to better quality, lower livestock numbers and higher barley supplies. Carry-out stocks are forecast to rise slightly but remain at an historically low level of 4.1 Mt, vs the 10-year average of 5.9 Mt. The Canadian Wheat Board (CWB) September 2003-04 Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is down by \$5/t from Aug. at \$186/t in-store Vancouver/St. Lawrence, \$55/t below 2002-03. The decrease is due to a larger than expected North American spring wheat crop and good planting conditions of the US winter wheat crop. Ontario wheat production is estimated at a record 2.2 Mt, and exports could exceed 1 Mt. Ontario Wheat Producers' Marketing Board pool returns for No.1 CESRW wheat are forecast by AAFC at \$150-160/t, terminal or processor position, versus \$161/t in 2002-03.

DURUM

Production increased by 4% from 2002-03 to 4.0 Mt due to higher harvested area, although yields are 4% below last year due to dryness in southern Saskatchewan. Carry-in stocks are up by 8% from 2002-03, and total supplies have increased 5% to 5.7 Mt, vs. the 10-year average of 6.2 Mt. Exports are forecast to rise by 15%, to 3.4 Mt, due to increased supplies of Nos. 1 and 2 CWAD durum. This remains below the 10-year average of 3.6 Mt, largely due to weak world demand for durum wheat resulting from good crops in North Africa. Carry-out stocks are projected to decline by 10%, to 1.5 Mt vs. the 10 year average of 1.7 Mt. The CWB Sept. PRO for No.1 CWAD 11.5% protein is up by \$5/t from Aug. at \$208/t, due to lower than previously expected

production in the EU, but \$62/t below 2002-03. The forecast premium for No.1 CWAD 11.5% over No.1 CWSR 11.5% is \$22/t vs. \$29/t in 2002-03.

BARLEY

Production increased by 62% from 2002-03 but supplies rose by only about 40%. Exports of malting barley are expected to increase significantly while feed barley exports remain historically low, although higher than in 2002-03. Feed use of barley is expected to rise significantly from 2002-03 as barley displaces imports of US corn in western Canada. Barley carry-out stocks are forecast to increase slightly but remain historically low. Off-Board feed barley prices are expected to decrease sharply. The CWB Sept. PRO for No.1 CW Feed barley is \$156/t vs the 2002-03 PRO of \$164/t. The CWB PRO for Special Select Two Row designated barley is \$200/t, vs \$242/t in 2002-03 due to higher supplies in North America and Australia.

OATS

Production increased by 28% from 2002-03 but supply rose by 30% due to higher carry-in stocks. Exports, mainly to the US, are expected to rise significantly due to larger supplies and reduced competition from Sweden and Finland. Carry-out stocks are expected to rise. Prices are forecast to fall sharply, largely due to increased production in Canada and the US and the stronger Canadian dollar. The premium for oats over corn is expected to fall significantly.

CORN

Production is estimated to increase slightly from 2002-03 due to higher yields. Supply is forecast to decrease as imports are expected to fall significantly to 1.5 Mt, due to higher barley production in western Canada and increased corn and wheat production in eastern Canada. Carry-out stocks are forecast to decrease slightly. Chatham corn prices are forecast to fall by about \$10/t from 2002-03 due mainly to the stronger Canadian dollar.

CANOLA

Production increased by 52% from 2002-03, but supplies rose by only 32%. Domestic crush and exports are forecast to rise by 26% and 36%, respectively. With lower canola prices forecast for 2003-04, exports to price sensitive markets such as China are expected to increase. Carry-out stocks are forecast to increase from 2002-03. Prices are forecast at \$355-385/t and the decrease is due to higher Canadian and world canola/rapeseed production and the stronger Canadian dollar.

FLAXSEED (excluding solin)

Production increased by 17%, but supplies rose by only 5%. Exports are forecast to decrease marginally due to weaker EU demand. Carry-out stocks are expected to rise from 2002-03. Average prices, are forecast to decrease to \$330-360/t, due to increased Canadian supplies.

SOYBEANS

Production is estimated to increase by 17%, but supplies are expected to rise by only 7% due to lower imports and carry-in stocks. Food and industrial use is expected to rise marginally and exports are also expected to increase, especially for food grade soybeans. Carry-out stocks are forecast to increase. Prices are forecast to decrease marginally to \$290-320/t because of the stronger Canadian dollar.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

October 8, 2003

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use	Feed, Waste & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----											
Durum											
2001-2002	2,036	1.47	2,987	12	5,872	3,628	249	213	700	1,545	260.43
2002-2003	2,246	1.73	3,877	6	5,427	2,968	279	284	799	1,660	270 *
2003-2004f	2,434	1.65	4,028	5	5,693	3,400	285	258	793	1,500	208 *
Wheat Except Durum											
2001-2002	8,550	2.06	17,581	85	24,459	12,578	2,776	3,129	6,697	5,185	207.16
2002-2003	6,590	1.87	12,321	172	17,678	6,221	2,768	3,908	7,466	3,990	241 *
2003-2004f	8,004	2.25	17,973	25	21,988	11,200	2,770	3,108	6,688	4,100	186 *
All Wheat											
2001-2002	10,585	1.94	20,568	97	30,331	16,206	3,025	3,342	7,396	6,729	
2002-2003	8,836	1.83	16,198	178	23,105	9,189	3,047	4,192	8,265	5,650	
2003-2004f	10,438	2.11	22,000	30	27,681	14,600	3,055	3,366	7,481	5,600	
Barley											
2001-2002	4,150	2.61	10,846	112	13,473	1,772	306	8,898	9,654	2,047	158.60
2002-2003	3,348	2.24	7,489	259	9,795	939	181	6,796	7,416	1,441	171.88
2003-2004f	4,509	2.70	12,159	50	13,650	2,500	320	8,895	9,650	1,500	120-150
Corn											
2001-2002	1,268	6.62	8,389	3,844	13,113	193	2,285	9,544	11,864	1,056	132.90
2002-2003	1,283	7.01	8,995	3,901	13,952	301	2,385	10,121	12,541	1,111	145.34
2003-2004f	1,260	7.36	9,269	1,500	11,879	400	2,500	7,944	10,479	1,000	120-150
Oats											
2001-2002	1,238	2.17	2,691	53	3,598	1,409	147	1,479	1,826	363	202.19
2002-2003	1,379	2.11	2,911	21	3,294	1,189	128	1,226	1,546	559	193.91
2003-2004f	1,642	2.27	3,719	5	4,283	1,600	150	1,703	2,033	650	120-150
Rye											
2001-2002	123	1.85	228	4	309	62	39	144	198	49	
2002-2003	77	1.74	134	2	185	52	38	43	103	30	
2003-2004f	153	2.07	317	5	352	85	47	152	217	50	
Mixed Grains											
2001-2002	159	2.80	447	0	447	0	0	447	447	0	
2002-2003	132	2.72	359	0	359	0	0	359	359	0	
2003-2004f	178	2.73	485	0	485	0	0	485	485	0	
Total Coarse Grains											
2001-2002	6,938	3.26	22,600	4,013	30,939	3,436	2,777	20,513	23,988	3,515	
2002-2003	6,218	3.20	19,888	4,182	27,585	2,481	2,731	18,545	21,964	3,141	
2003-2004f	7,742	3.35	25,949	1,560	30,649	4,585	3,017	19,179	22,864	3,200	
Canola											
2001-2002	3,785	1.33	5,017	226	6,331	2,524	2,293	229	2,558	1,250	357.45
2002-2003	3,262	1.28	4,178	240	5,667	2,394	2,225	116	2,379	894	415.09
2003-2004f	4,689	1.35	6,339	225	7,458	3,250	2,800	263	3,108	1,100	355-385
Flaxseed											
2001-2002	662	1.08	715	24	998	618	n/a	n/a	195	185	319.77
2002-2003	633	1.07	679	27	892	577	n/a	n/a	186	129	401.97
2003-2004f	737	1.08	793	20	941	575	n/a	n/a	191	175	330-360
Soybeans^{1/}											
2001-2002	1,069	1.53	1,635	982	2,802	501	1,694	366	2,129	172	269.01
2002-2003	1,024	2.28	2,335	650	3,157	705	1,763	473	2,307	145	307.55
2003-2004f	959	2.84	2,723	500	3,368	950	1,775	423	2,268	150	290-320
Total Oilseeds											
2001-2002	5,516	1.34	7,367	1,233	10,132	3,644	n/a	n/a	4,882	1,607	
2002-2003	4,919	1.46	7,192	917	9,716	3,676	n/a	n/a	4,871	1,168	
2003-2004f	6,385	1.54	9,855	745	11,768	4,775	n/a	n/a	5,567	1,425	
Total Grains And Oilseeds											
2001-2002	23,039	2.19	50,535	5,343	71,402	23,285	n/a	n/a	36,266	11,851	
2002-2003	19,973	2.17	43,278	5,276	60,406	15,346	n/a	n/a	35,101	9,959	
2003-2004f	24,565	2.35	57,804	2,335	70,097	23,960	n/a	n/a	35,912	10,225	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products. (c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use. For flaxseed and soybeans, food/industrial use and feed/waste/dockage are included in the total domestic use, but are not reported due to data confidentiality.

(e) Crop year average prices: No.1 CWRS 11.5% and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver),

Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures);

Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* September 2003 CWB Pool Return Outlook (PRO)

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

October 8, 2003

For 2003-04, total pulse and special crops production is forecast to increase by 35%, from 2002-03, to 3.73 million tonnes (Mt), based on a combination of Statistics Canada's (STC) September production estimates and AAFC forecasts. Total supply is expected to increase by only 24% because of lower carry-in stocks. Total exports and domestic use are forecast to increase, due to higher supply and strong demand, resulting in lower carry-out stocks. Average prices, over all grades and markets, are forecast to increase from 2002-03 for dry beans, chick peas and buckwheat, but decrease for dry peas, lentils, mustard seed, canary seed and sunflower seed.

For most crops in western Canada, yields are estimated to be significantly below trend, due to delayed seeding, hot and dry weather, and insect damage, but higher than in 2002-03. For eastern Canada, trend yields are forecast. Canadian harvest progress has been much quicker than in 2002-03 and significantly faster than normal, with the exception of dry beans in eastern Canada. Nearly all of the dry peas, lentils, chick peas, mustard seed and canary seed have been harvested. The dry bean harvest is mostly finished in western Canada, but has been delayed by wet weather in eastern Canada. Harvesting of sunflower seed and buckwheat is underway. For both eastern and western Canada, it has been assumed that precipitation will be normal during the remainder of the harvest period. Crop abandonment and crop quality, in general, are normal. In 2002-03, crop abandonment was much higher than normal and quality lower than normal for most pulse and special crops, due to wet weather in western Canada during harvest. The main factors to watch will be precipitation during the remainder of the harvest period in Canada, the exchange rate of the Canadian dollar against the US dollar and other currencies, and growing and harvest conditions in major producing countries, especially in Australia.

DRY PEAS

For 2003-04, production and supply are estimated to increase significantly, with a marginally higher seeded area, lower abandonment and higher yields. Production increased for yellow, green and other types. World supply is expected to increase by 9% to 11.1 Mt, but this is expected to be mostly offset by higher use for livestock feed. Canadian exports and domestic use are forecast to increase, due to higher supply, lower prices and strong demand, with a larger portion going into the feed market. Carry-out stocks are forecast to decrease marginally, with a stocks-to-use (s/u) ratio of 13%. The average price, over all types, grades and markets, is forecast to decrease due to the higher world supply.

LENTILS

Production and supply are estimated to increase significantly, as an 8% decrease in seeded area is more than offset by lower abandonment and higher yields. Production increased for large, medium and small green, red and other types. World supply is expected to decrease slightly to 3.24 Mt. Canadian exports are expected to increase, as Canada's share of world supply rises. Carry-out stocks are forecast to decrease, with a s/u ratio of 8%. The average price, over all types and grades, is forecast to fall slightly due to higher Canadian supply.

DRY BEANS

Production and supply are forecast to decrease significantly, due mainly to a 33% decrease in seeded area. Production is expected to decrease for white pea, pinto, red kidney, pink, small red, cranberry and black beans, but increase slightly for Great Northern beans. Exports and domestic use are forecast to decrease, due to lower supply, and carry-out stocks are expected to decrease, with a s/u ratio of 6%. US production and supply are also expected to decrease significantly due to a 21% decrease in seeded area. The average price, over all classes and grades, is forecast to increase due to lower supply.

CHICK PEAS

Production and supply are forecast to fall sharply due to a 72% decrease in seeded area, which is partly offset by lower abandonment. Production is expected to decrease for all types, desi, large kabuli and small kabuli. World supply is expected to increase slightly to 7.9 Mt. Canadian exports are forecast to decrease sharply due to lower supply. Carry-out stocks are forecast to decrease, with a s/u ratio of 8%. The average price, over all types, sizes and grades, is forecast to increase due to lower supply and expected higher quality in Canada.

MUSTARD SEED

Production and supply are estimated to increase significantly due to a 21% increase in seeded area, lower abandonment and higher yields. Production increased for yellow and brown types, but decreased slightly for the oriental type. US production, nearly all yellow, is forecast to decrease due to a 50% decrease in seeded area. Canadian exports are expected to increase because of the higher supply and lower prices. Carry-out stocks are forecast to increase sharply, with a s/u ratio of 43%. The average price, over all types and grades, is forecast to decrease sharply because of higher supply.

CANARY SEED

Production and supply are estimated to increase significantly, as a 9% decrease in seeded area is more than offset by lower abandonment and higher yields. World supply is forecast to increase by 13% to 280,000 t. Canadian exports are expected to increase, because of higher supply and lower prices. Carry-out stocks are forecast to increase, with a s/u ratio of 21%. The average price is forecast to decrease sharply because of increased supply and faster than normal harvest pace in 2003-04, compared to the very late harvest in 2002-03.

SUNFLOWER SEED

Production and supply are forecast to increase moderately due to a 20% increase in seeded area. A moderate decrease in production is expected for the confectionary type, but a significant increase in production is expected for the oilseed type. World supply is expected to increase by 10% to 27.1 Mt, due to higher production of the oilseed type. Total US and Canadian supply of the confectionary type is expected to decrease, while the total supply of the oilseed type increases. Canadian exports and domestic use are expected to increase due to the higher supply and strong demand. Carry-out stocks are forecast to increase, with a s/u ratio of 22%. Lower total US and Canadian supply is expected to support prices for the confectionary type, while higher world supply is expected to pressure prices for the oilseed type. The average price, over both types and all grades, is forecast to decrease due to the higher supply of the oilseed type.

BUCKWHEAT

Production and supply are forecast to decrease, due to a 23% drop in seeded area. World supply is forecast to decrease by 7% to 2.5 Mt. Canadian exports are expected to remain stable, while domestic use decreases, due to lower supply, and carry-out stocks are forecast to decrease to a low level. The average price, over all grades and markets, is forecast to increase due to the lower supply.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

October 8, 2003

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----									
Dry Peas									
1999-2000	835	2.70	2,252	12	2,639	1,417	822	400	135
2000-2001	1,220	2.35	2,864	12	3,276	2,196	885	195	138
2001-2002	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003p	1,050	1.30	1,365	41	1,681	750	621	310	210
2003-2004f	1,283	1.75	2,247	30	2,587	1,500	787	300	145-175
Lentils									
1999-2000	497	1.46	724	10	794	503	211	80	380
2000-2001	688	1.33	914	5	999	475	268	256	295
2001-2002	664	0.85	566	6	828	478	219	131	320
2002-2003p	387	0.91	354	9	494	310	129	55	390
2003-2004f	542	1.00	543	5	603	410	148	45	365-395
Dry Beans									
1999-2000	154	1.91	294	41	360	260	60	40	500
2000-2001	162	1.65	268	40	348	227	71	50	465
2001-2002	175	1.70	298	42	390	263	97	30	725
2002-2003p	219	1.89	414	39	483	305	118	60	445
2003-2004f	150	1.80	270	35	365	260	85	20	505-535
Chick Peas									
1999-2000	139	1.42	197	5	207	56	136	15	390
2000-2001	283	1.37	388	5	408	179	199	30	410
2001-2002	467	0.97	455	12	497	147	210	140	380
2002-2003p	154	1.01	156	9	305	120	130	55	300
2003-2004f	60	1.00	60	15	130	60	60	10	325-355
Mustard Seed									
1999-2000	273	1.12	306	1	357	170	72	115	285
2000-2001	208	0.97	202	1	318	151	62	105	280
2001-2002	158	0.66	105	3	213	171	9	33	685
2002-2003p	255	0.60	154	9	196	125	11	60	595
2003-2004f	340	0.65	220	5	285	170	30	85	385-415
Canary Seed									
1999-2000	146	1.14	166	0	276	157	29	90	240
2000-2001	164	1.04	171	0	261	170	21	70	265
2001-2002	163	0.70	114	0	184	134	20	30	660
2002-2003p	214	0.77	164	0	194	161	13	20	575
2003-2004f	238	0.88	210	0	230	165	25	40	370-400
Sunflower Seed									
1999-2000	79	1.54	122	19	145	49	55	41	295
2000-2001	69	1.72	119	18	178	77	55	46	320
2001-2002	67	1.55	104	29	179	92	65	22	355
2002-2003p	95	1.65	157	21	200	105	60	35	440
2003-2004f	115	1.52	175	15	225	115	70	40	380-410
Buckwheat									
1999-2000	13	1.00	13	1	16	8	7	1	305
2000-2001	15	0.93	14	1	16	9	7	0	305
2001-2002	14	1.14	16	1	17	6	8	3	325
2002-2003p	12	1.00	12	1	16	6	7	3	340
2003-2004f	9	1.00	9	1	13	6	6	1	340-370
Total Pulse And Special Crops (c)									
1999-2000	2,136	1.91	4,074	89	4,794	2,620	1,392	782	
2000-2001	2,809	1.76	4,940	82	5,804	3,484	1,568	752	
2001-2002	2,993	1.23	3,681	120	4,553	2,672	1,217	664	
2002-2003p	2,386	1.16	2,776	129	3,569	1,882	1,089	598	
2003-2004f	2,737	1.36	3,734	106	4,438	2,686	1,211	541	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

p - preliminary

f: forecast, Agriculture and Agri-Food Canada, October 8, 2003

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

October 6, 2003

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	October 6, 2003	FOB	228.16	N/A	160.00	163.00			332.00	196.54	140.00	N/A	900.00	500.00					385.00
BC	(4) (7) September 29, 2003	FOB	228.16	N/A	160.00	167.00			345.75	207.00	140.00	N/A	900.00	490.00					375.00
Calgary	October 6, 2003	FOB	140.00	N/A	127.00	155.00			330.50	N/A		40.00	950.00	525.00					325.00
AB	(4) September 29, 2003	FOB	140.00	N/A	127.00	160.00			341.50	N/A		40.00	950.00	525.00					325.00
Saskatoon	October 6, 2003	FOB	132.50	141.50	113.50	174.00			323.33	235.00		50.00	N/A	525.00			164.67		375.00
SK	(4) September 29, 2003	FOB	130.00	136.00	111.00	174.00			330.00	235.00		50.00	N/A	525.00			164.00		375.00
Melfort	October 6, 2003	FOB																	
SK	September 29, 2003	FOB																	
Winnipeg	October 6, 2003	FOB	136.00	117.00	109.50	130.00			320.00	235.00		290.00	895.00	480.00					400.00
MB	(4) (9) September 29, 2003	FOB	136.00	117.00	114.00	149.00			321.50	235.00		290.00	925.00	480.00					400.00
Thunder Bay	October 6, 2003	In-Store	153.00	N/A	127.50														
ON	(8) September 29, 2003	On Board	153.00	N/A	128.00		119.38												
Lake Ports	October 6, 2003	Vessel					N/A												
USA	(3) September 29, 2003																		
Bay Ports	October 6, 2003	In-Store	187.00	210.00	N/A														
ON	September 29, 2003	ON	187.00	225.00	N/A														
Chatham	October 6, 2003	Track				142.61			288.70	N/A									
ON	September 29, 2003					153.04			299.30	N/A									
Toronto	October 6, 2003	N/A						FOB											
ON	(5) September 29, 2003											223.00	N/A	450.00	428.00	135.00		285.00	350.00
Hamilton	October 6, 2003	N/A							288.70	N/A		223.00	N/A	450.00	428.00	135.00		285.00	350.00
ON	September 29, 2003								299.30	N/A									
Eastern	October 6, 2003	FOB				160.12													
ON	September 29, 2003					160.12													
London	October 6, 2003	FOB																	
ON	September 29, 2003																		
Port Colborne	October 6, 2003	FOB																	
ON	September 29, 2003																		
Cardinal	October 6, 2003	FOB																	
ON	September 29, 2003																		
Montreal	October 6, 2003		N/A	N/A	N/A	N/A			346.50	211.28	100.00	223.00	850.00	309.00	428.00	135.00		259.00	360.00
QC	(5) September 29, 2003		N/A	N/A	N/A	N/A		FOB	355.81	203.25	98.33	223.00	850.00	309.00	428.00	135.00		259.00	360.00
Trois-Rivières	October 6, 2003	In-Store	182.50		166.00	146.45													
QC	September 29, 2003		182.50		168.60	147.73													
St. Jean QC	(2) October 6, 2003	FOB	162.57	159.59	160.92	143.96			338.27										
St. Hyacinthe QC	September 29, 2003		157.98	155.78	158.11	137.34			328.67										
Quebec	October 6, 2003	In-Store	179.83	N/A	183.05	155.04			341.23										
QC	September 29, 2003		181.17	N/A	182.15	154.96			350.26										
Truro	October 6, 2003	Track	207.51	230.00	193.54	180.09			370.15	253.03		255.77		445.00					360.00
NS	September 29, 2003		206.51	230.00	190.99	182.60		FOB	364.09	246.97		255.77		445.00					360.00
Truro	October 6, 2003	Water	N/A	N/A	N/A	N/A													
NS	September 29, 2003	& Truck	N/A	N/A	N/A	N/A													
Halifax	October 6, 2003	In-Store	N/A	N/A	N/A	N/A													
NS	(6) September 29, 2003		N/A	N/A	N/A	N/A						297.50		1,050.00	428.00				
												297.50		1,050.00	428.00				

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: Corinne Bruneau Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: bruneau@gagr.gc.ca
 US\$1.00=CANS1.3418, closing date October 3, 2003
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
 Soybean Meal 48% Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley Cash Price WCE (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

October 6, 2003

PRAIRIE GRAINS

Selected Points	Price Basis		This week 6-Oct-03	Last week 22-Sep-03	Month ago 8-Sep-03	Year ago 7-Oct-02
From: Thunder Bay(WCE) (2)	In-Store	Wheat	150.50	151.70	145.00	187.50
(CBOT)		Oat	147.25	140.25	159.75	N/A
(Lethbridge)		Barley	127.50	125.00	135.40	190.00
To: Bayport, ON (1)	In-store	Wheat	174.11	175.31	168.61	211.11
		Oat	N/A	N/A	N/A	N/A
		Barley	154.89	152.39	162.79	217.39
Montreal, QC (1)	In-store	Wheat	178.53	179.73	173.03	215.53
		Oat	N/A	N/A	N/A	N/A
		Barley	159.81	157.31	167.71	222.31
Moncton, NB	Truck via Halifax	Wheat	200.75	201.95	195.25	237.75
		Oat	N/A	N/A	N/A	N/A
		Barley	184.00	181.50	191.90	246.50
Truro, NS	Truck via Halifax	Wheat	194.72	195.92	189.22	231.72
		Oat	N/A	N/A	N/A	N/A
		Barley	181.50	179.00	189.40	244.00
Halifax, NS (1)	In-store	Wheat	185.78	186.98	180.28	222.78
		Oat	N/A	N/A	N/A	N/A
		Barley	167.80	165.30	175.70	230.30
Stephenville, NL	Track / Truck via Sydney	Wheat	249.13	250.33	243.63	286.13
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 6-Oct-03	Last week 22-Sep-03	Month ago 8-Sep-03	Year ago 7-Oct-02
Corn						
From: US Lake Port	On Board Vessel		117.80	120.65	133.07	171.81
To: Montreal, QC (1)	In-store		136.84	139.69	152.11	190.85
From: Chicago (Mi)	Track		117.80	121.72	127.71	165.53
To: Montreal, QC	Track		146.66	150.58	156.57	194.39
From: Chatham, ON	Track		142.61	148.81	150.98	168.40
To: Montreal, QC	Track		166.41	172.61	174.78	192.20

Soymeal 48% Protein

From: Hamilton, ON			288.70	299.30	326.40	309.86
To: Montreal, QC	Track		313.03	323.63	350.73	334.19
Moncton, NB	Track		331.78	342.38	369.48	352.94
Truro, NS	Track		335.00	345.60	372.70	356.16
Stephenville, NL	Track / Truck via Sydney		383.63	394.23	421.33	404.79

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

B. CASH PRICES AND REPLACEMENT VALUES

September 22, 2003

PRAIRIE GRAINS

Selected Points	Price Basis		This week 22-Sep-03	Last week 8-Sep-03	Month ago 25-Aug-03	Year ago 23-Sep-02
From: Thunder Bay(WCE) (2)	In-Store	Wheat	151.70	145.00	146.50	178.20
(CBOT)		Oat	140.25	159.75	140.00	N/A
(Lethbridge)		Barley	125.00	135.40	147.20	186.20
To: Bayport, ON (1)	In-store	Wheat	175.31	168.61	170.11	201.30
		Oat	N/A	N/A	N/A	N/A
		Barley	152.39	162.79	174.59	213.35
Montreal, QC (1)	In-store	Wheat	179.73	173.03	174.53	206.05
		Oat	N/A	N/A	N/A	N/A
		Barley	157.31	167.71	179.51	218.47
Moncton, NB	Truck via Halifax	Wheat	201.95	195.25	196.75	228.52
		Oat	N/A	N/A	N/A	N/A
		Barley	181.50	191.90	203.70	244.83
Truro, NS	Truck via Halifax	Wheat	195.92	189.22	190.72	226.02
		Oat	N/A	N/A	N/A	N/A
		Barley	179.00	189.40	201.20	239.95
Halifax, NS (1)	In-store	Wheat	186.98	180.28	181.78	213.35
		Oat	N/A	N/A	N/A	N/A
		Barley	165.30	175.70	187.50	226.27
Stephenville, NL	Track / Truck via Sydney	Wheat	250.33	243.63	245.13	273.13
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	293.34
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Selected Points	Price Basis		This week 22-Sep-03	Last week 8-Sep-03	Month ago 25-Aug-03	Year ago 23-Sep-02
Corn						
From: US Lake Port	On Board Vessel		130.47	133.07	142.73	170.76
To: Montreal, QC (1)	In-store		149.51	152.11	161.77	189.66
From: Chicago (Mi)	Track		125.17	127.71	137.28	164.57
To: Montreal, QC	Track		154.03	156.57	166.14	193.60
From: Chatham, ON	Track		150.19	150.98	154.81	169.18
To: Montreal, QC	Track		173.99	174.78	178.61	192.56

Soymeal 48% Protein

From: Hamilton, ON			324.70	326.40	321.10	335.43
To: Montreal, QC	Track		349.03	350.73	345.43	359.85
Moncton, NB	Track		367.78	369.48	364.18	383.06
Truro, NS	Track		371.00	372.70	367.40	381.89
Stephenville, NL	Track / Truck via Sydney		419.63	421.33	416.03	430.69

1. Prices include ONE month of storage and interest charges

n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

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Publications



Agriculture and Agri-Food Canada
Agriculture et Agroalimentaire Canada

Bi-weekly Bulletin

October 24, 2003 Volume 16 Number 19



FEED BARLEY: 2003-2004 OUTLOOK

International feed barley prices for 2003-2004 are expected to remain strong, averaging slightly higher than 2002-2003 as increased consumption more than offsets higher barley production. World carry-out stocks of barley for 2003-2004 are expected to decrease significantly from 2002-2003. In Canada, barley prices are expected to decrease from last year due to lower United States (US) corn prices, the stronger Canadian dollar, and increased domestic supplies. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for feed barley.

The Canadian price outlook for feed barley is strongly affected by developments in the feedgrain sector, especially the US corn market, and by the supply and demand situation in the barley market. World coarse grain supplies are estimated by the United States Department of Agriculture (USDA) to decrease by about 20 million tonnes (Mt) from 2002-2003 to 1,025.6 Mt while consumption is forecast to increase by 14 Mt to 915.6 Mt. As a result, carry-out stocks are expected to decrease by 35 Mt to 109.3 Mt. Lower carry-out stocks in China, the European

Union (EU) and Russia are only partly offset by higher stocks in Canada, Australia and the US.

US corn supplies are expected to increase slightly. Production is forecast at a record 10.2 billion bushels (Gbu) versus 9.0 Gbu in 2002-2003 but carry-in stocks are significantly lower than for 2002-2003. However, domestic use and exports are also forecast to increase appreciably. Carry-out stocks of corn in the US for 2003-2004 are expected to increase significantly from 2002-2003 which will

pressure all coarse grain prices downward.

demand for barley is expected to increase to the highest level since 1998-1999. This is due to increased feed consumption of barley in the EU, Canada and Australia as they shift away from other feed grains to barley. With demand exceeding production by about 9 Mt, world carry-out stocks are expected to decrease significantly to an eight-year low. World barley trade is forecast to decrease marginally to 16 Mt consisting of 11.2 Mt of feed barley and 4.8 Mt of malting barley. World barley malt trade is expected at about 4.5 Mt.

MAJOR IMPORTERS

In 2002-2003, total barley imports were 16 Mt and the major importers were: Saudi Arabia (6 Mt), China (1.9 Mt) and Japan (1.3 Mt). China imports malting barley and plays a minimal role in the feed barley market. For 2003-2004, Saudi Arabia and Japan are expected to continue to be the dominant importers of feed barley.

Saudi Arabia is the world's largest importer of barley. Barley is mostly consumed as feed, primarily for sheep, goats and camels. In 1996-1997, Saudi Arabia imported 5.8 Mt of barley which

WORLD: BARLEY SUPPLY AND DISPOSITION				
September-August crop year	2001 -2002	2002 -2003	2003 -2004f	
	.....million tonnes.....			
Carry-in Stocks	22.4	28.6	27.9	
Production	142.1	132.9	135.8	
Total Supply	164.5	161.5	163.7	
Total Use	135.9	133.6	144.8	
Carry-out Stocks	28.6	27.9	18.9	
Stocks-to-Use Ratio (%)	21	21	13	
Trade (excludes intra-trade)	17.2	16.1	16.0	
f: forecast				
Source: USDA, October 2003				

Barley

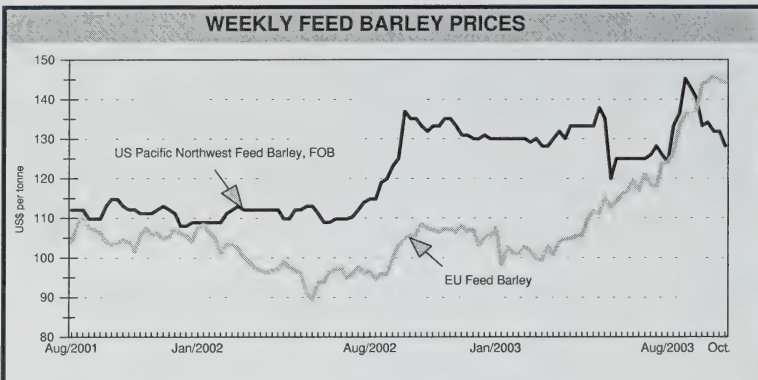
World barley production is forecast by the USDA to increase slightly as production in Canada, Australia and the US recovers from last year's drought. Production in the EU, Former Soviet Union (FSU) and Eastern Europe is expected to decrease. The world supply of barley is forecast to increase slightly. World



Canada

included 1.05 Mt from Canada. However, in subsequent years, better grazing in Saudi Arabia meant less barley was needed for feed. As well, in Canada, a growing livestock industry, changes in grain transport policies, and the elimination of grain transport subsidies, have helped to make the domestic feed barley market relatively more attractive than the export market. In recent years, Saudi Arabia's barley imports have come mainly from the EU, Russia, Ukraine and to a lesser extent, Australia, while there have been no imports from Canada or the US.

For 2003-2004, barley production in Saudi Arabia is forecast by the USDA to decrease to near zero, from 0.1 Mt in 2002, due to changes in domestic policy which have removed the producer subsidies. With consumption increasing slightly to 5.9 Mt, feed barley imports are forecast to remain at the 2002-2003 level of 6 Mt. This represents about 53% of world feed barley imports, most of which is expected to be imported from Australia, the FSU, and the EU. Australia and Canada, to a lesser extent, are expected to increase their market share because of increased exportable supplies and



because of increased domestic demand and reduced exportable surplus in the EU.

Japan accounts for about 15% of world feed barley imports with nearly 90% of its barley requirements dependent on imports. For the last few years, however, Japanese barley imports have dropped by nearly 20%. This drop is attributed to a 12% downsizing of its barley consumption, partly related to bovine spongiform encephalopathy (BSE) problems, and, to a lesser degree, higher domestic production. The weak demand for barley may also be attributed to the economic slowdown in Japan. For 2003-2004, Japanese barley

production is estimated at 0.25 Mt. With consumption remaining at 1.6 Mt, feed barley imports are forecast at 1.3 Mt, unchanged from 2002-2003. The majority will be imported from Australia and, to a lesser extent, Canada and the US.

In **North Africa** (Algeria, Libya, Morocco, Tunisia and others), barley production has trended higher for the last three years and feed barley imports have been reduced accordingly. For 2003-2004, barley production is estimated to double from last year's 2.4 Mt to 4.8 Mt, due to better growing conditions in Algeria, Morocco and Tunisia. With consumption remaining at 3.9 Mt, feed barley imports are forecast to decrease sharply to less than 0.4 Mt, compared to nearly 1.0 Mt for 2002-2003 and the three-year average of 1.4 Mt. The market share for North Africa is, thus, expected to drop from 14% to 3%, one of the major factors depressing the world feed barley market.

WORLD: FEED BARLEY TRADE FOR 2003-2004

	Saudi Arabia	Middle East ^{1/}	Japan	Africa	Western Europe ^{2/}	Eastern Europe and the FSU ^{3/}	Other ^{3/}	Total Exports
	.....thousand tonnes.....							
EU	1,200	530	-	130	100	80	460	2,500
Australia	1,400	70	630	-	-	-	-	2,100
Russia	900	320	-	250	280	220	30	2,000
Ukraine	800	420	-	50	120	100	10	1,500
Turkey	200	250	-	-	-	-	50	500
Canada	250	-	220	-	-	-	30	500
US	150	-	200	-	-	-	50	400
Other ^{4/}	1,100	-	-	20	-	330	250	1,665
Total Imports	6,000	1,590	1,050	450	500	730	880	11,200

^{1/} Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Syria, Turkey, United Arab Emirates

^{2/} excludes trade among EU member countries.

^{3/} includes North America, Latin America, and Asia except Japan.

^{4/} Argentina, Kazakhstan, Eastern Europe and other.

Source: USDA, International Grains Council and AAFC.

MAJOR EXPORTERS

In 2002-2003, total barley exports were 16 Mt and the major exporters were: the EU (5 Mt), Russia (3.2 Mt) and the Ukraine (2.3 Mt). Due to drought-related low production, exports of feed barley by Canada and Australia were historically low. For 2003-2004, the exportable surplus of feed barley in Australia, and Canada to a lesser extent, is expected to increase which will allow them to increase market share from 2002-2003. However, the EU, Russia, and the Ukraine are again

EUROPEAN UNION: BARLEY SUPPLY AND DISPOSITION

July-June crop year	2001 -2002	2002 -2003	2003 -2004 ^f
	.....million tonnes.....		
Carry-in Stocks	8.2	9.4	10.8
Production	48.4	48.3	46.7
Imports ^{1/}	1.0	0.7	0.4
Total Supply	57.6	58.4	57.9
Domestic Use	44.5	42.7	49.1
Exports ^{2/}	3.1	5.0	4.0
Total Use	47.6	47.7	53.1
Carry-out Stocks	9.4	10.8	4.8
Stocks-to-Use Ratio (%)	20	23	9

^{1/} Imports and exports do not include EU intra-trade

^{2/} October-September crop year

f: forecast

Source: USDA, October 2003

expected to be strong players in the feed barley market although the exportable surplus of feed barley in each of these countries is expected to decrease.

In the **EU**, barley production is forecast by the USDA to decrease by 3% as a result of winter frost and, then, a hot dry summer in France, Germany and Spain. Barley supplies, however, are expected to decrease only marginally due to higher carry-in stocks. EU domestic use of feed barley is forecast to increase significantly due to sharply reduced EU wheat and corn production which are estimated at about 10 and 20% below 2002-2003, respectively. Total barley exports, primarily to the Middle East and North Africa - due to their geographical proximity to the EU - are expected to decrease significantly. About 70% of EU exports are feed barley.

Carry-out stocks are forecast to decrease significantly to the lowest in eight years. This is expected to strongly support world barley prices. The EU is not expected to use export subsidies on barley in 2003-2004 due to low exportable supplies. The intervention price for 2003-2004 is €101.31 (US\$115) per tonne (t) which is not expected to be attractive relative to the strong domestic market.

For **Australia**, late winter rains have significantly boosted the grain crop potential. The barley crop, to be harvested in December, is forecast at 7.0 Mt, more than double the 2002-2003 crop which was affected by the most severe drought in 100 years. The total supply of barley in Australia, however, is expected to rise by only 40% due to low carry-in stocks. Total domestic use of feed barley is forecast to increase from 1.8 Mt to 2.0 Mt. Feed barley exports are forecast to increase significantly from 0.6 Mt in 2002-2003 to 2.1 Mt. Ample Australian barley supplies are expected to pressure world prices in 2003-2004, especially

in the second half of the crop year. Over the medium-term, the growing domestic livestock industry in Australia is expected to constrain its exportable surplus of feed barley, especially in New South Wales which will leave Western and South Australia as the major exporting regions.

For the **Black Sea countries**, their market share has increased significantly in the last few years. However, total exports from **Ukraine** are forecast to decrease to 1.5 Mt from 2.3 Mt for 2002-2003 and exports from **Russia** are expected to decline significantly to 2.0 Mt from last year's 3.2 Mt, due to weather problems. This is expected to strongly support world market prices.

The **US** is an exporter and importer of barley, predominantly exporting feed barley and importing malting barley. Total exports are forecast to increase to 0.63 Mt from 0.58 Mt in 2002-2003 due to a 22% increase in production to 6.0 Mt. The major markets for US feed barley are expected to be Japan (50%) and Saudi Arabia (38%).

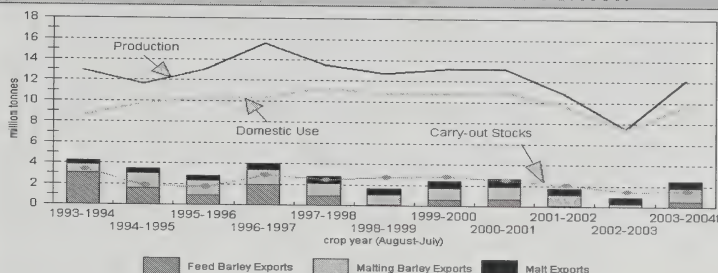
CANADA

The production of barley increased by 62% to 12.2 Mt from last year's drought affected crop. However, the supply of barley is estimated to increase by 39% to 13.7 Mt from 9.8 Mt in 2002-2003. While the area seeded to malting varieties remains at about 80%, only about 20% of the total barley produced in Canada is expected to be selected for the malting barley market.

Feed use of barley is expected to increase as barley displaces imports of US corn in western Canada and cattle inventories in Canada are higher than 2002-2003. It has been assumed that the trade disruption affecting the cattle and beef sector, related to the single case of BSE, will not have a major impact on feed use in 2003-2004. This is partially supported by the lifting of the ban on certain imports of Canadian boneless beef by the US and other countries.

Canadian feed barley exports decreased from 0.7 Mt in 2000-2001 to 0.1 Mt for 2001-2002 and less than 10,000 t in 2002-2003 due to drought-reduced production and strong domestic demand. For 2003-

CANADA: BARLEY SUPPLY AND DISPOSITION



f: forecast, A.AFC, October 2003
Source: Statistics Canada

2004, feed barley exports are forecast to increase to 0.5 Mt but this will very much depend on the relation between on-farm returns from sales to the Canadian Wheat Board (CWB) versus the Off-Board market. Carry-out stocks are expected to remain historically low at 1.5 Mt.

PRICE OUTLOOK

Export feed barley prices are expected to be supported by the strong demand and lower production in the EU, sharply reduced exportable supplies of feed barley from Eastern Europe and FSU, continued strong demand in Saudi Arabia, and significantly lower world carry-out stocks. Barley prices will also be supported by historically strong, although lower than last year, US corn prices which are forecast by the USDA at US\$1.90-2.30 per

bushel (/bu) in 2003-2004 versus US\$2.32/bu estimated for 2002-2003. However, feed barley prices will be pressured by reduced import demand for the EU and North Africa and significantly increased barley production in Australia, Canada, and the US.

The Pacific Northwest feed barley price is expected to remain similar to 2002-03 at about US\$130/t. However, the average EU feed barley price is expected to increase by about 20% from 2002-03 to the equivalent of about US\$130/t due to the general decrease in feedgrain supplies in the EU.

The CWB October 23, 2003 Pool Return Outlook (PRO) for No.1 Canada Western Feed Barley is \$153/t in-store Vancouver/St. Lawrence (l/S VC/SL),

versus \$164/t in 2002-03 mainly because of the stronger Canadian dollar. The Off-Board feed barley price (l/S Lethbridge) is expected to average about \$135/t, significantly lower than the \$172/t average for 2002-2003 largely due to the stronger Canadian dollar and increased barley supplies in Canada and higher corn production in the US. Off-Board feed barley prices will be highly sensitive to US corn prices which, based on USDA's farm price forecasts, can be landed in Manitoba for about CAN\$125/t which is competitive with barley after adjusting for nutrient value and location.

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NEW CANADIAN WHEAT BOARD PROGRAMS FOR 2003-2004

For the 2003-04 crop year, a new **Early Payment Option (EPO)** will give farmers access to 80% of the Pool Return Outlook (PRO) for feed barley, in addition to the existing 90% EPO for both feed and designated barley. The EPO provides participating farmers with the opportunity to lock in a value that is equivalent to either 80% or 90% of the PRO earlier in the crop year. A discount for risk, time value of money and program administration charges is deducted from the value that farmers lock in at time of sign-up. Because deliveries committed to the EPO remain in the pool account, if adjustment, interim, or final payments rise above the value farmers have locked in, participating farmers will receive the additional payments. For feed barley, the EPO must be taken in conjunction with the **Guaranteed Delivery Contract (GDC)** for the same tonnage.

For 2003-2004, three series of **GDC** have been offered for feed barley so far. Farmers who sign up before the deadlines are guaranteed to receive 100% delivery calls on their contracted tonnage. Sign-up for GDC may be terminated prior to the deadline if sales requirements are met. Farmers who commit tonnage to a GDC for feed barley can also sign up for an EPO.

The CWB continues to offer a **Fixed Price Contract (FPC)** for feed barley in 2003-2004. The FPC enables farmers to lock in a price for all or a portion of their feed barley before August 1. Farmers who choose the FPC receive full payment within 10 days after delivery. As a result, these deliveries are no longer in the pool account and will not be eligible for adjustment, interim, and final payments.

The 80% EPO, the GDC, and the FPC are not available for designated barley.

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Canadian Wheat Board, Saskatchewan Wheat Pool, Market and Industry Services Branch (AAFC)

B. CASH PRICES AND REPLACEMENT VALUES

October 20, 2003

PRAIRIE GRAINS

Selected Points	Price Basis		This week 20-Oct-03	Last week 6-Oct-03	Month ago 22-Sep-03	Year ago 21-Oct-02
From: Thunder Bay(WCE) (2)	In-Store	Wheat	155.00	150.50	151.70	194.40
(CBOT)		Oat	135.00	147.25	140.25	N/A
(Lethbridge)		Barley	125.00	127.50	125.00	189.70
To: Bayport, ON (1)	In-store	Wheat	178.61	174.11	175.31	218.01
		Oat	N/A	N/A	N/A	N/A
		Barley	152.39	154.89	152.39	217.09
Montreal, QC (1)	In-store	Wheat	183.03	178.53	179.73	222.43
		Oat	N/A	N/A	N/A	N/A
		Barley	157.31	159.81	157.31	222.01
Moncton, NB	Truck via Halifax	Wheat	205.25	200.75	201.95	244.65
		Oat	N/A	N/A	N/A	N/A
		Barley	181.50	184.00	181.50	246.20
Truro, NS	Truck via Halifax	Wheat	199.22	194.72	195.92	238.62
		Oat	N/A	N/A	N/A	N/A
		Barley	179.00	181.50	179.00	243.70
Halifax, NS (1)	In-store	Wheat	190.28	185.78	186.98	229.68
		Oat	N/A	N/A	N/A	N/A
		Barley	165.30	167.80	165.30	230.00
Stephenville, NL	Track / Truck via Sydney	Wheat	253.63	249.13	250.33	293.03
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 20-Oct-03	Last week 6-Oct-03	Month ago 22-Sep-03	Year ago 21-Oct-02
Corn						
From: US Lake Port	On Board Vessel		110.76	114.63	120.65	168.50
To: Montreal, QC (1)	In-store		129.80	133.67	139.69	187.54
From: Chicago (Mi)	Track		110.76	113.07	121.72	161.69
To: Montreal, QC	Track		139.62	141.93	150.58	190.55
From: Chatham, ON	Track		133.46	143.30	148.81	168.20
To: Montreal, QC	Track		157.26	167.10	172.61	192.00

Soymeal 48% Protein

From: Hamilton, ON			312.50	307.10	299.30	308.31
To: Montreal, QC	Track		336.83	331.43	323.63	332.64
Moncton, NB	Track		355.58	350.18	342.38	351.39
Truro, NS	Track		358.80	353.40	345.60	354.61
Stephenville, NL	Track / Truck via Sydney		407.43	402.03	394.23	403.24

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Market Analysis Division, Agriculture and Agri-Food Canada

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Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

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Bi-weekly Bulletin

November 14, 2003 Volume 16 Number 20

JAPAN

Japan, the world's largest net importer of agri-food products, is Canada's second most important agri-food export market. About 50% of Canada's exports to Japan are agri-food products. In 2002, Canada's agri-food exports to Japan totalled \$2.38 billion (G), of which almost 60% was grains and oilseeds and their products and 32% was livestock and its products. Japanese consumers, like their Canadian counterparts, are very quality conscious and are highly concerned about food safety. This issue of the *Bi-weekly Bulletin* examines some of the recent policy and program changes in Japan and Canada to address food safety, as well as the situation and outlook for Canadian agri-food exports.

Japan is an island nation in the Pacific Ocean, off the coast of East Asia. The closest countries are Russia, China and the Republic of Korea. Its land area is 374,744 square kilometres, approximately one-third the size of Ontario. The terrain is mostly mountainous and only 13% of Japan's land is suitable for agriculture.

Despite government policy to increase the country's self-sufficiency for foodstuffs, Japan's self-sufficiency ratio fell from 47% in 1990 to 40% in 2000. As such, Japan is the world's largest net-importer of agri-food products and in 2002, agricultural imports totalled US\$41.5G. Japan is highly dependent on a relatively few countries for its food purchases. Their leading sources of imports include the United States (US), China, Australia and Canada and their main imports are meat and prepared meat products and cereal and prepared cereal products.

Trade with Canada

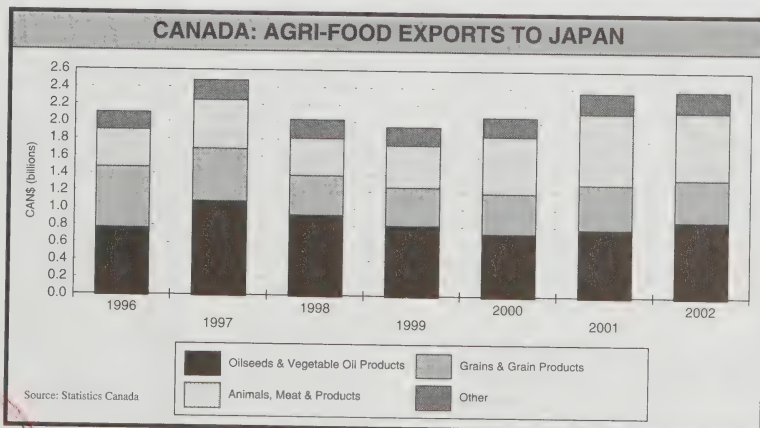
In 2002, Canada's exports to Japan totalled \$4.7G and accounted for 2.1% of Canada's total exports. Japan is a

major export market for Canada, second only to the US. Canada's major exports include wood, grains and oilseeds, meat, fish and seafood, fossil fuels and wood pulp.

Japan's exports to Canada in 2002 totalled \$11.5G and accounted for 1.8% of their exports. Canada is Japan's 14th largest market. Japan's major exports to Canada include vehicles, machinery, electrical machinery, medical instruments and rubber.

Agri-Food Trade with Canada

Canada is the fourth largest supplier of agri-food products to Japan, behind the US, China and Australia. Japan is Canada's second-largest agricultural export market accounting for about 9% of Canada's food exports. In 2002, Japan imported \$2.38G of Canadian agri-food products, a 1% increase over 2001. Imports from Canada accounted for close to 6% of Japan's total agri-food imports. Canada's main food exports to Japan include canola, pork, wheat and malt.



Canada and Japan continue to promote trade development and economic cooperation under the 1976 Framework for Economic Cooperation and the Joint Communiqué announced during the 1999 Team Canada mission.

Agricultural Production

Japan is dominated by small farms, with the average farm size of 1.6 hectares (ha), resulting in a labour-intensive agricultural sector. Japan is situated in a temperate monsoon belt which results in very hot rainy summers and cool winters. Under these climatic conditions, paddy rice production is the major agricultural crop, although it is double cropped with wheat, barley, and soybeans.

Agricultural Policy

Japan's agricultural sector is a highly protected and subsidized industry. Japan has a large and powerful agricultural cooperative system consisting of many small farmers. This sector lobbies successfully for the maintenance of small farms, high support prices and tariffs on imports.

In order to regain consumer confidence following Japan's Bovine Spongiform Encephalopathy (BSE) outbreak in 2001 and numerous subsequent food mislabeling and safety issues, the government introduced the new *Basic Law on Food Safety* in May 2003. The law specifies the responsibilities of central and local government and the business sector for ensuring the safety of food. Its main feature was establishing a Food Safety Commission within the Cabinet Office. The Food Safety Commission's role is to evaluate health risks presented by foods and to advise government ministries on appropriate countermeasures that need to be taken.

Under the previous system of food safety administration, for example, the Ministry of Agriculture, Forestry and Fisheries (MAFF) had both the regulatory authority to ensure the safety of livestock feeds and the responsibility to promote the development of livestock

farming and the livestock feed industry. As a result, there had been a tendency to emphasize the interests of industry over those of the consumer, and for regulation to suffer.

The new legislation will result in a few changes for how imports will be handled. The Law stipulates that there must be assurance of food safety at every stage of the food supply chain for both domestic and foreign markets. While the the Government of Japan (GOJ) cannot require exporting countries to follow identical procedures to those mandated in Japan, this change can be expected to result in increased scrutiny of imported products and importers may begin calling for additional documentation from suppliers. The second change is that the Law provides for the possible use of the "precautionary principle", as opposed to "risk management."

Other changes to the government structure have also taken place, as the government's focus switches from

JAPAN AT THE WTO

In November 2001, at the 4th World Trade Organization (WTO) Ministerial Conference in Doha (Qatar), WTO Members agreed to launch a new broad-based round of multilateral trade negotiations. On agriculture, WTO Members agreed to an ambitious negotiating mandate, committing themselves to "comprehensive negotiations aimed at substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support."

As a country concerned with its food self-sufficiency, Japan has relatively high levels of support and protection for a wide range of primary commodities. Agriculture, and rice production in particular, is considered to be the foundation for the social and economic development of rural communities. Japan supports substantial reductions in trade-distorting domestic support. However, it is seeking greater flexibility to provide support that would be exempt from reduction through the so-called "Green Box". On market access, it proposes a modest approach, calling for average tariff reductions with a minimum cut for each tariff line (the Uruguay Round formula), and for no increase in the size of tariff quotas. Japan has suggested strengthened disciplines for export restrictions and taxes, and supports the Doha Mandate's call for the phasing out of all forms of export subsidies.

At the 5th WTO Ministerial Conference held in September of 2003 in Cancun, Ministers deliberated a draft framework which would have guided the subsequent development of more detailed rules and commitments. However, the Ministerial meeting ended without an agreement, with non-agriculture issues preventing movement towards a consensus. Ministers re-committed themselves to working to implement the mandate agreed to at Doha, and instructed officials to continue work on outstanding issues. While remaining sensitive to agricultural trade liberalization, Japan continues to be committed to the multilateral trading system.

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FOOD SAFETY AND QUALITY IN CANADA

Through the Agricultural Policy Framework, the Government of Canada is committed to ensuring that food produced in Canada continues to be among the safest and highest-quality in the world. The Government of Canada is working with farmers and the industry to build on existing food safety measures while undertaking new measures to enable the tracing of food products back to the farm and to improve food quality and the sharing of critical information. These measures will improve the sector's ability to identify and respond to food safety issues and concerns, while improving market access and opportunities for the sector.

Canadian On-Farm Food Safety (COFFS) Program

The COFFS is a producer-led, industry/government partnership that provides an opportunity for national commodity associations to develop the strategies and the necessary tools to educate producers and to initiate implementation of on-farm food safety initiatives consistent with the Hazard Analysis Critical Control Point definitions and principles established by the Codex Alimentarius Commission. A specific example of this program in action is the Canadian Pork Council's Canadian Quality Assurance (CQA) program, which has been officially available since April 1998. The CQA program began the government recognition process, led by the Canadian Food Inspection Agency (CFIA) in August 2003.

Canadian Cattle Identification Program

In January 2001, Canada implemented, in collaboration with the livestock industry, a national identification program for cattle and bison, making it possible to trace individual animals to their herds of origin. The program employs an efficient, cost effective and market neutral approach. The purpose of the national identification program is to assist the CFIA's efforts in the areas of food safety and animal disease control. The Agency is now collaborating with and guiding other sectors such as cervids and sheep in the development of similar programs adapted to the needs of those species. Because of the success of this program, the CFIA was able to conclude the investigation of a single case of BSE in a cow from an Alberta farm quickly and thoroughly. Similarly, within the next two years, the Canadian Pork Council is striving to have a system in place that will allow authorities to track the movement of all hogs produced in Canada.

Canadian Identity Preserved Recognition System (CIPRS)

The CIPRS certifies companies selling products through Identity Preserved (IP) programs that have effective quality management systems for the production, handling, and transportation of specialty grains, oilseeds or pulses. These systems provide full documentation and traceability from seed to export vessel or domestic end-user. Although industry is taking the lead in implementing these systems, the Canadian Grain Commission has developed a new voluntary pilot program to oversee and officially recognize these programs in order to maximise their acceptance in global markets. The Canadian soybean industry, through the Canadian Soybean Export Association, has had an IP Standard in place since 2001. Certification against this commodity specific IP standard will be provided through CIPRS.

market development to consumer food safety. Specifically, within MAFF, the Japan Food Agency (JFA), previously responsible for administering the Staple Food Control System, was abolished, and a new bureau, the Food Safety and Consumer Affairs Bureau, was created on July 1, 2003.

Through the Staple Food Control System, JFA controlled the supply of rice, wheat and barley through a system of administered prices maintained by tariffs and import quotas. Historically, JFA was also responsible for the quality and safety of imported grains, but grain inspection has largely been privatised. Under the bureaucratic reorganization, the supply of rice, wheat and barley will be administered by the Staple Food Department of the General Food Policy Bureau, while consumer's concerns such as labelling and food risk management will be managed by the Food Safety and Consumer Affairs Bureau.

Beef Identification Policy

Japan's parliament passed legislation mandating implementation of a traceability system for domestic beef in June 2003, as part of its ongoing response to the detection of BSE in Japan in 2001. The law establishes a farm-to-table traceability system based on a ten digit cattle identification number assigned to each animal at birth or at importation. Full implementation of the domestic program is expected by December 2004. As well, the GOJ is expected to consider a bill to require traceability for imported beef.

Biotechnology Safety Approval and Labelling Policies

Consumer concerns about Genetically Modified Organisms (GMO) prompted the government to introduce safety approval and labelling policies. As of December 2002, Japan's Ministry of Health, Labour and Welfare, which is responsible for granting food safety approvals for biotech products, had approved 44 biotech varieties for food use. Foods found to contain unapproved biotech varieties must be

re-exported, destroyed or diverted to non-food use.

MAFF is responsible for environmental safety approvals, feed safety approvals and biotech labelling for foods. In April 2001, MAFF established a labelling scheme which requires labelling for biotech food products if the biotech deoxyribonucleic acid (DNA) or protein can be scientifically detected in the finished foods. Labelling is not required for canola oil, soy oil and corn oil since the biotech DNA cannot be detected. Labelling is mandatory if the biotech content exceeds 5%. In order for a product to be labelled "non-GM", certification must be provided to show that the ingredients were handled on an identity preserved (IP) basis at each step of the production and distribution process.

SITUATION AND OUTLOOK

Wheat

Total area planted to wheat in 2003 is estimated to increase marginally to 217,000 ha, reflecting MAFF's continued effort to divert rice production to other agricultural crops such as wheat and soybeans. **Production**, however, is estimated to fall by 7% to 770,000 tonnes (t) due to decreased yields. Despite government efforts to increase wheat production, Japan produces less than 10% of its domestic needs. The quality of Japan's domestic wheat is generally lower than that of imported wheat and it is used in the production of noodles or is blended with imported wheat for bread and Chinese noodles. Any increase in domestic production would mainly impact the demand for Australian Standard White Wheat and would have a limited impact on imports from North America.

Imports will increase to 5.8 million tonnes (Mt). Major sources for imported wheat include the US (about 54% of imports), Canada (25%) and Australia (20%). Japan is normally the world's third largest market for wheat, behind Egypt and Brazil, and accounts for about 6% of world trade. The GOJ

controls both producer and resale prices for wheat. The government pays domestic wheat producers a purchase price which is 3.8 times more than the resale price to the millers, while its resale price of imported wheat

is 1.7 times the average price paid for imported wheat. While the ratio of resale price to world price for imported wheat is improving, the Japan Flour Millers Association has petitioned MAFF to lower its resale price of imported wheat to be 1.2 times the world price, which would likely result in increased imports of foreign wheat and increased domestic production of flour.

Canada's exports of total wheat, including durum, to Japan have averaged 1.4 Mt over the past 10 years. In general, spring wheat exports have stayed steady at about 1.3 Mt, while durum exports have grown from about 100,000 t in 1993-1994 to almost 200,000 t in each of the past five years. Japan is a premium market for Canadian wheat, as most of the spring wheat is high-protein No.1 Canada Western Red Spring, and over half of the durum is No.1 Canadian Western Amber Durum. For 2003-2004, Canada's exports are forecast to increase nearly 30% over 2002-2003 because of a return to normal yields in Canada and a high-quality harvest. Exports of wheat, not including durum, are expected to increase from 965,000 t in 2002-2003 to 1.3 Mt, while exports of durum are expected to stay steady at 200,000 t.

Rice

Japan's **production** of rice in 2003 is estimated to fall by 11% to 7.2 Mt, partly due to poor growing conditions.

Imports are expected to stay steady at

CANADA: FIELD CROP EXPORTS TO JAPAN

<i>August-July crop year</i>	1999 -2000	2000 -2001	2001 -2002	2002 -2003	2003 -2004f
.....thousand tonnes.....					
Canola	1,814	1,875	1,611	1,562	1,500
Wheat	1,446	1,599	1,370	1,176	1,500
Forages*	398	460	445	312	400
Barley	376	264	55	35	240
Malt*	182	227	227	170	150
Soybeans*	179	168	131	137	150
Flaxseed	63	54	51	21	40

f: forecast, AAFC, October 2003

Source: Canadian Grain Commission, *Statistics Canada, November 2003

0.65 Mt due to restrictive tariffs.

Historically, the Japanese government has controlled rice production and distribution. As such, rice is produced on nearly 40% of Japan's cultivated land area and 54% of commercial farmers produce rice as their main crop. In December 2002, however, the GOJ announced a new framework for Japan's rice policy to make Japanese rice production more market-oriented. It calls for the abolition of government control of rice production by 2008 and an increase in subsidies to large-scale producers. The result will likely be larger scale farming, and increased production of wheat and soybeans.

Barley

For 2003-2004, Japan's **production** of barley is estimated to increase by 15% to 250,000 t. While Japan is less than 15% self sufficient in barley production, barley is the preferred livestock feed and there is limited substitution with other feed grains.

Imports of barley averaged more than 1.5 Mt in the decade prior to the 2001 BSE outbreak in Japan. Since that time, imports have averaged 1.3 Mt. In general, Japan is the world's third largest market for barley, behind Saudi Arabia and Brazil and accounts for about 8% of world trade. For 2003-2004, barley imports are expected to remain stable at 1.3 Mt.

Pork

Pork **production** is expected to increase slightly to 1.2 Mt in 2003.

Consumption is expected to decrease by 3%, as beef consumption has recovered. **Imports** are expected to fall by 7% to 1.0 Mt in 2003, because of an increase in domestically produced pork and large stocks of frozen pork for processing. Furthermore, Japan's pork safeguard was triggered in August for the third consecutive year, causing the import tariff to increase from 38.5% to 50% until March 31, 2004.

Japan is the world's largest market for pork, accounting for 32% of world trade. The US is the dominant supplier of fresh pork, while Denmark and Canada are the main sources for frozen pork. In 2002, Canada's pork exports totalled 166,000 t and were valued at \$640M. This total included \$373M of frozen pork, \$212M of fresh pork, \$23M of offals, \$23M of processed meat and \$9M of pig fat. Canada's pork exports for 2003 are expected to increase to 180,000 t, as exports for the period January to September are 20% above last year, but the outlook for the remainder of the year is not as promising.

Beef

Beef **production** is expected to fall slightly to 505,000 t in 2003, down 5% from 2002. **Consumption** is expected to increase by 2%, while **import** demand is projected to increase by 15% to 800,000 t. Australia is the main supplier of fresh or chilled beef, while the US is the main supplier of frozen beef. Imports from Canada are minimal.

Malt

In general, Japan is the world's largest market, although in 2001 Brazil's imports were greater than Japan's. Japan's **imports** average about 15% of world trade, although since 1996 there has been a decline in both the volume and share of world trade. Japan's main sources of malt are Canada, the EU and

Australia. For 2003-2004, Canada expects to export about 150,000 t of malt, or 12% less than in 2002-2003.

Forage

Japan **imported** 2.6 Mt of forage products (including hay, cubes and pellets) in 2000. Major suppliers were the US (71%), Canada (20%) and Australia (7%). Japan is Canada's largest market for forage products, often importing 90% of Canada's exports. In 2002-2003, Canada's exports were greatly reduced by limited exportable supplies and included 108,000 t of alfalfa pellets, 35,000 t of alfalfa in cubes and 77,000 t of timothy hay. For 2003-2004, Canada's exports will rebound from the low levels in 2002-2003 due to increased supplies. In recent years, Japan's demand for alfalfa products such as pellets and cubes has been decreasing, while the demand for long fibre feeds, such as timothy hay, is increasing.

Pulse and Special Crops

Japan **imports** about 90,000 t of **buckwheat** annually. Major sources for buckwheat include China (88%), the US (7%) and Canada (5%). Japan is Canada's largest export market, accounting for at least 50% of buckwheat exports. For pulse crops, Japan imports about 20,000 t of **kidney beans** and 20,000 t of **dry peas** annually, to be used primarily as confection. Canada enjoys success in these markets, supplying Japan with more than 30% of its kidney bean imports and over 60% of its dry pea needs.

Medium-Term Outlook

Recent internal food scares have prompted MAFF to change their focus from market development to consumer safety. Laws and programs have been put in place to ensure food safety at every stage of the food supply chain. There will be increased scrutiny of imported products, and exporters have

to be ready to meet the requirements of this large and important food importing country.

Through Canada's own programs and policies, Canadian exporters are preparing to meet these new challenges. Food safety has always been important to consumers both in Japan and Canada, but recent high-profile events around the world have raised their awareness and expectations. The objective of Canada's Agricultural Policy Framework is for Canada to be the world leader in food safety, innovation and environmentally-responsible production.

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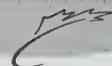
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CANADA: GRAINS AND OILSEEDS OUTLOOK

November 7, 2003

For 2003-04, total production of grains and oilseeds in Canada is estimated by Statistics Canada at 58 million tonnes (Mt) versus 43 Mt in 2002-03 and the 10-year average of 59 Mt. In western Canada, production is estimated to increase to 42 Mt from 29 Mt in 2002-03 and crop quality is generally above average. The proportion of the wheat and durum crop in western Canada in the top two grades is expected to be significantly higher than 2002-03 and the protein content is above normal due to the hot dry growing season. Barley protein levels will also likely be higher than normal which may limit the amount selected for malting purposes. Fusarium is not a problem in wheat or barley. Total supplies have increased, as higher production has more than offset low carry-in stocks. In eastern Canada, harvest is slower than normal which may reduce production below current estimates. It has been assumed that the trade disruptions affecting the cattle and beef sector, related to the single case of bovine spongiform encephalopathy (BSE) in Alberta, will not have a major impact on feed use in 2003-04.

Average world wheat export prices, in US dollars, have decreased from the 2002-03 level due to higher production in the US, Canada and Australia. However, prices have been supported by lower production in the EU, Eastern Europe, Ukraine and Russia. For coarse grains, prices are expected to be pressured by the record US corn crop but for barley, this will be partly offset by low feedgrain production in Europe. The European Union (EU) suspended its weekly open market export tenders for wheat, barley and rye on July 31. For oilseeds, world prices have increased significantly from last year due to lower soybean production in the US and strong world demand. In Canada, except for soybeans, the average prices for grains and oilseeds are expected to be lower than last year due to increased supply and the stronger Canadian dollar. The major factors to watch are the final production estimates for corn and soybeans in the US, growing conditions in Brazil for the soybean crop, the area seeded to winter wheat in the US, EU grain export policy, import demand from China and the Canada/US exchange rate.

WHEAT (ex-durum)

Production increased by 46% from 2002-03, to 18.0 Mt, but remains below the 10-year average of 19.9 Mt. The higher production has been partly offset by a 23% decrease in carry-in stocks, and total supplies are up by only 24% from 2002-03, at 22.0 Mt. Ontario wheat production is a record 2.2 Mt, 86% above the 10-year average. Total exports are forecast to increase by 83% to 11.4 Mt, from only 6.2 Mt in 2002-03, but remain well below the 10-year average of 13.5 Mt. Of this, a record 1.2 Mt are expected to be from Ontario. Much of the Ontario exports will be to the US, as US mills are reported to be buying Ontario soft red and white winter wheat because of the fusarium problems in the US soft red winter crop. Total feed use in Canada is expected to decline by 26% from 2002-03, to 2.9 Mt, due to good quality and higher barley supplies. Carry-out stocks are forecast to rise slightly but remain at an historically low level of 4.1 Mt. The Canadian Wheat Board (CWB) Oct. 2003-04 Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$185/t, in-store Vancouver/St. Lawrence (I/S VC/SL), \$1/t lower than forecast in Sept. and \$56/t below 2002-03. The decline in the PRO since last month is due to increased Australian production prospects and high ocean freight rates.

DURUM

Production increased by 4% from 2002-03 to 4.0 Mt due to higher harvested area, although yields are 4% below last year due to dryness in southern Saskatchewan. Carry-in stocks are up by 8% from 2002-03, and total supplies have increased by 5% to 5.7 Mt, but remain below the 10-year average of 6.2 Mt. Exports are forecast to rise by 15%, to 3.4 Mt, due to increased supplies of Nos. 1 and 2 CWAD. This remains below the 10-year average of 3.6 Mt, largely due to weak world demand for durum wheat resulting from good crops in North Africa. Carry-out stocks are projected to decline by 10%, to 1.5 Mt, vs the 10-year average of 1.7 Mt. The CWB Oct. PRO for No.1 CWAD 11.5% protein is down by \$5/t

from Sept., at \$203/t, I/S VC/SL, and \$67/t below 2002-03, due to weak demand from major importers. The premium for No.1 CWAD 11.5% over No.1 CWRs 11.5% is projected at \$18/t, vs \$29/t in 2002-03.

BARLEY

Production increased by 62% from 2002-03 but supplies rose by only 39%. Exports of malting barley are expected to increase significantly while feed barley exports remain historically low, although higher than in 2002-03. Feed use of barley is expected to rise significantly from 2002-03 as barley displaces imports of US corn in western Canada. Barley carry-out stocks are forecast to increase but remain historically low. Off-Board feed barley prices are expected to decrease sharply. The CWB Oct. PRO for No.1 CW Feed barley is \$153/t, I/S VC/SL, vs the 2002-03 PRO of \$164/t. The CWB PRO for Special Select Two Row designated barley is \$198/t, vs \$242/t in 2002-03 due to higher supplies in North America and Australia.

OATS

Production and supply increased by about 30% from 2002-03. Exports, mainly to the US, are expected to rise significantly due to larger supplies and reduced competition from Sweden and Finland. Carry-out stocks are expected to rise. Prices are forecast to fall sharply largely due to higher production in Canada and the US and the stronger Canadian dollar. The premium for oats over corn is expected to fall significantly.

CORN

Production is estimated to increase slightly from 2002-03 due to higher yields. Supply is forecast to decrease, as imports are expected to fall to 1.5 Mt, due to higher barley production in western Canada and increased wheat production in eastern Canada. Carry-out stocks are forecast to decrease. The average Chatham price is forecast to fall by about \$15/t from 2002-03, due to lower US corn prices and the stronger Canadian dollar.

CANOLA

Production increased by 52% from 2002-03, but supplies rose by only 32%. Domestic crush is forecast to rise by 26%, supported by reported canola oil sales to China. Exports are also forecast to increase by 36%, due to higher shipments to Mexico and China. Carry-out stocks are forecast to rise from 2002-03 levels. The average Vancouver cash price is forecast to decline to \$365-395/t, as support from higher US soybean prices is largely offset by the stronger Canadian dollar.

FLAXSEED (excluding solin)

Production increased by 17%, but supplies rose by only 5%. Exports are forecast to remain stable on steady EU demand. Carry-out stocks are expected to rise from 2002-03. The average Thunder Bay cash price is forecast to fall to \$335-365/t, due to increased supplies and the stronger Canadian dollar.

SOYBEANS

Production is estimated to increase by 17%, but supplies are expected to rise by only 7% due to lower imports and carry-in stocks. Food and industrial use is expected to rise marginally. Exports are expected to increase by 35%, on support from higher world usage. Carry-out stocks are forecast to increase marginally. The average Chatham price is forecast to increase to \$325-355/t, as support from higher world prices offsets pressure from the stronger Canadian dollar.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

November 7, 2003

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use	Feed, Waste & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----											
Durum											
2001-2002	2,036	1.47	2,987	12	5,872	3,628	249	213	700	1,545	260.43
2002-2003	2,246	1.73	3,877	6	5,427	2,968	279	284	799	1,660	270 *
2003-2004f	2,434	1.65	4,028	5	5,693	3,400	285	268	793	1,500	203 **
Wheat Except Durum											
2001-2002	8,550	2.06	17,581	85	24,459	12,578	2,776	3,129	6,697	5,185	207.16
2002-2003	6,590	1.87	12,321	172	17,678	6,221	2,768	3,908	7,466	3,990	241 *
2003-2004f	8,004	2.25	17,973	25	21,988	11,400	2,770	2,908	6,488	4,100	185 **
All Wheat											
2001-2002	10,585	1.94	20,568	97	30,331	16,206	3,025	3,342	7,396	6,729	
2002-2003	8,836	1.83	16,198	178	23,105	9,189	3,047	4,192	8,265	5,650	
2003-2004f	10,438	2.11	22,000	30	27,681	14,800	3,055	3,176	7,281	5,600	
Barley											
2001-2002	4,150	2.61	10,846	112	13,473	1,772	306	8,898	9,654	2,047	158.60
2002-2003	3,348	2.24	7,489	259	9,795	939	181	6,796	7,416	1,441	171.88
2003-2004f	4,509	2.70	12,159	50	13,650	2,500	320	8,895	9,650	1,500	110-140
Corn											
2001-2002	1,268	6.62	8,389	3,844	13,113	193	2,285	9,544	11,864	1,056	132.90
2002-2003	1,283	7.01	8,995	3,901	13,952	301	2,385	10,121	12,541	1,111	145.34
2003-2004f	1,260	7.36	9,269	1,500	11,879	400	2,500	8,044	10,579	900	115-145
Oats											
2001-2002	1,238	2.17	2,691	53	3,598	1,409	147	1,479	1,826	363	202.19
2002-2003	1,379	2.11	2,911	21	3,294	1,189	128	1,226	1,546	559	193.91
2003-2004f	1,642	2.27	3,719	5	4,283	1,600	150	1,703	2,033	650	115-145
Rye											
2001-2002	123	1.85	228	4	309	62	39	144	198	49	
2002-2003	77	1.74	134	2	185	52	38	43	103	30	
2003-2004f	153	2.07	317	5	352	85	47	152	217	50	
Mixed Grains											
2001-2002	159	2.80	447	0	447	0	0	447	447	0	
2002-2003	132	2.72	359	0	359	0	0	359	359	0	
2003-2004f	178	2.73	485	0	485	0	0	485	485	0	
Total Coarse Grains											
2001-2002	6,938	3.26	22,600	4,013	30,939	3,436	2,777	20,513	23,988	3,515	
2002-2003	6,218	3.20	19,888	4,182	27,585	2,481	2,731	18,545	21,964	3,141	
2003-2004f	7,742	3.35	25,949	1,560	30,649	4,585	3,017	19,279	22,964	3,100	
Canola											
2001-2002	3,785	1.33	5,017	226	6,331	2,524	2,293	229	2,558	1,250	357.45
2002-2003	3,262	1.28	4,178	240	5,667	2,394	2,225	116	2,379	894	415.09
2003-2004f	4,689	1.35	6,339	225	7,458	3,250	2,800	263	3,108	1,100	365-395
Flaxseed											
2001-2002	662	1.08	715	24	998	618	n/a	n/a	195	185	319.77
2002-2003	633	1.07	679	27	892	577	n/a	n/a	186	129	401.97
2003-2004f	737	1.08	793	20	941	575	n/a	n/a	191	175	335-365
Soybeans ^{1/}											
2001-2002	1,069	1.53	1,635	982	2,802	501	1,694	366	2,129	172	269.01
2002-2003	1,024	2.28	2,335	650	3,157	705	1,763	473	2,307	145	307.55
2003-2004f	959	2.84	2,723	500	3,368	950	1,775	423	2,268	150	325-355
Total Oilseeds											
2001-2002	5,516	1.34	7,367	1,233	10,132	3,644	n/a	n/a	4,882	1,607	
2002-2003	4,919	1.46	7,192	917	9,716	3,676	n/a	n/a	4,871	1,168	
2003-2004f	6,385	1.54	9,855	745	11,768	4,775	n/a	n/a	5,567	1,425	
Total Grains And Oilseeds											
2001-2002	23,039	2.19	50,535	5,343	71,402	23,285	n/a	n/a	36,266	11,851	
2002-2003	19,973	2.17	43,278	5,276	60,406	15,346	n/a	n/a	35,101	9,959	
2003-2004f	24,565	2.35	57,804	2,335	70,097	24,160	n/a	n/a	35,812	10,125	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products. (c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use. For flaxseed and soybeans, food/industrial use and feed/waste/dockage are included in the total domestic use, but are not reported due to data confidentiality.

(e) Crop year average prices: No.1 CWRs 11.5% and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

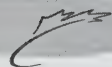
* September 2003 CWB Pool Return Outlook (PRO)

** October 2003 CWB PRO.

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

f: Agriculture and Agri-Food Canada forecast, November 7, 2003

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

November 7, 2003

For 2003-04, total pulse and special crops production is forecast to increase by 34%, from 2002-03, to 3.73 million tonnes (Mt), based on a combination of Statistics Canada's (STC) September production estimates and AAFC forecasts. STC's final production estimate for all crops is expected to be released on December 5. Total supply is expected to increase by only 24% because of lower carry-in stocks. Total exports and domestic use are forecast to increase, due to higher supply and strong demand, resulting in lower carry-out stocks. Average prices, over all grades and markets, are forecast to increase from 2002-03 for dry beans, chick peas and buckwheat, be the same for lentils, and decrease for dry peas, mustard seed, canary seed and sunflower seed. Canadian pulse and special crops prices are being pressured, to a varying degree, by the stronger Canadian dollar, compared to US and some other currencies, and sharply higher ocean shipping rates.

For most crops in western Canada, yields are estimated to be significantly below trend, due to delayed seeding, hot and dry weather, and insect damage, but higher than in 2002-03. For eastern Canada, trend yields are forecast. The Canadian pulse and special crops harvest is complete. Harvesting was much quicker than in 2002-03 and significantly faster than normal, with the exception of dry beans in eastern Canada, which were harvested later than normal. Crop abandonment was normal and crop quality is normal for dry beans, mustard seed, canary seed, sunflower seed and buckwheat, and higher than normal for dry peas, lentils and chick peas. In 2002-03, crop abandonment was much higher than normal and quality lower than normal for most pulse and special crops, due to wet weather in western Canada during harvest. The main factors to watch are the exchange rate of the Canadian dollar against the US dollar and other currencies, ocean shipping rates, and growing and harvest conditions in major producing countries, especially in Australia, India, Pakistan, Mexico and Argentina.

DRY PEAS

For 2003-04, production and supply are estimated to increase significantly, with a marginally higher seeded area, lower abandonment and higher yields. Production increased for yellow, green and other types. World supply is expected to increase by 7% to 11.2 Mt, but this is expected to be offset by higher use for livestock feed. Canadian exports and domestic use are forecast to increase, due to higher supply, lower prices and strong demand, with a larger portion going into the feed market. Carry-out stocks are forecast to decrease marginally, with a stocks-to-use (s/u) ratio of 13%. The average price, over all types, grades and markets, is forecast to decrease due to the higher world supply.

LENTILS

Production and supply are estimated to increase significantly, as an 8% decrease in seeded area is more than offset by lower abandonment and higher yields. Production increased for large, medium and small green, red and other types. World supply is expected to decrease by 2% to 3.24 Mt. Canadian exports are expected to increase, as Canada's share of world supply rises. Carry-out stocks are forecast to decrease, with a s/u ratio of 9%. The average price, over all types and grades, is forecast to be the same as in 2002-03, as pressure from the higher Canadian supply is offset by higher average quality.

DRY BEANS

Production and supply are forecast to decrease significantly, due mainly to a 33% decrease in seeded area. Production is expected to decrease for white pea, pinto, red kidney, pink, cranberry and black beans, remain stable for small red beans, and increase slightly for Great Northern beans. Exports and domestic use are forecast to decrease, due to lower supply, and carry-out stocks are expected to decrease, with a s/u ratio of 6%. US production is estimated to decrease by 21% to 1.04 Mt, due to lower seeded area. The average price, over all classes and grades, is

forecast to increase due to lower supply.

CHICK PEAS

Production and supply are forecast to fall sharply due to a 72% decrease in seeded area, which is partly offset by lower abandonment. Production is expected to decrease for all types, desi, large kabuli and small kabuli. World supply is expected to increase by 3% to 7.9 Mt. Canadian exports are forecast to decrease sharply due to lower supply. Carry-out stocks are forecast to decrease, with a s/u ratio of 9%. The average price, over all types, sizes and grades, is forecast to increase due to higher quality in Canada.

MUSTARD SEED

Production and supply are estimated to increase significantly due to a 21% increase in seeded area, lower abandonment and higher yields. Production increased for yellow and brown types, but decreased slightly for the oriental type. US production, nearly all yellow, is forecast to decrease due to a 50% decrease in seeded area. Canadian exports are expected to increase because of the higher supply and lower prices. Carry-out stocks are forecast to increase, with a s/u ratio of 43%. The average price, over all types and grades, is forecast to decrease sharply because of higher supply.

CANARY SEED

Production and supply are estimated to increase significantly, as a 9% decrease in seeded area is more than offset by lower abandonment and higher yields. World supply is forecast to increase by 13% to 280,000 t. Canadian exports are expected to increase, because of higher supply and lower prices. Carry-out stocks are forecast to increase, with a s/u ratio of 18%. The average price is forecast to decrease sharply because of increased supply and faster than normal harvest pace in 2003-04, compared to the very late harvest in 2002-03.

SUNFLOWER SEED

Production and supply are forecast to increase moderately due to a 20% increase in seeded area. A moderate decrease in production is expected for the confectionary type, but a significant increase in production is expected for the oilseed type. US production is estimated to increase by 5% to 1.19 Mt, with an increase for the oilseed type and a decrease for the confectionary type. World supply is expected to increase by 10% to 27.1 Mt, due to higher production of the oilseed type. The total US and Canadian supply of the confectionary type is expected to decrease, while the supply of the oilseed type increases.

Canadian exports and domestic use are expected to increase due to the higher supply and strong demand. Carry-out stocks are forecast to be the same as in 2002-03, with a s/u ratio of 22%. Lower total US and Canadian supply is expected to support prices for the confectionary type, while higher world supply is expected to pressure prices for the oilseed type. The average price, over both types and all grades, is forecast to decrease due to the higher supply of the oilseed type.

BUCKWHEAT

Production and supply are forecast to decrease, due to a 23% drop in seeded area. World supply is forecast to decrease by 7% to 2.47 Mt. Canadian exports are expected to remain stable, while domestic use decreases, due to lower supply, and carry-out stocks are forecast to decrease. The average price, over all grades and markets, is forecast to increase due to lower supply.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

November 7, 2003

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----									
Dry Peas									
1999-2000	835	2.70	2,252	12	2,639	1,417	822	400	135
2000-2001	1,220	2.35	2,864	12	3,276	2,196	885	195	138
2001-2002	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,050	1.30	1,365	41	1,681	725	646	310	210
2003-2004f	1,283	1.75	2,247	30	2,587	1,500	787	300	150-180
Lentils									
1999-2000	497	1.46	724	10	794	503	211	80	380
2000-2001	688	1.33	914	5	999	475	268	256	295
2001-2002	664	0.85	566	6	828	478	219	131	320
2002-2003	387	0.91	354	9	494	319	120	55	390
2003-2004f	542	1.00	543	5	603	420	133	50	375-405
Dry Beans									
1999-2000	154	1.91	294	41	360	260	60	40	500
2000-2001	162	1.65	268	40	348	227	71	50	465
2001-2002	175	1.70	298	42	390	263	97	30	725
2002-2003	219	1.89	414	39	483	305	118	60	445
2003-2004f	150	1.83	275	35	370	270	80	20	500-530
Chick Peas									
1999-2000	139	1.42	197	5	207	56	136	15	390
2000-2001	283	1.37	388	5	408	179	199	30	410
2001-2002	467	0.97	455	12	497	147	210	140	380
2002-2003	154	1.01	156	9	305	120	130	55	300
2003-2004f	60	0.92	55	15	125	65	50	10	330-360
Mustard Seed									
1999-2000	273	1.12	306	1	357	170	72	115	285
2000-2001	208	0.97	202	1	318	151	62	105	280
2001-2002	158	0.66	105	3	213	171	9	33	685
2002-2003	255	0.60	154	9	196	125	11	60	595
2003-2004f	340	0.65	220	5	285	170	30	85	385-415
Canary Seed									
1999-2000	146	1.14	166	0	276	157	29	90	240
2000-2001	164	1.04	171	0	261	170	21	70	265
2001-2002	163	0.70	114	0	184	134	20	30	660
2002-2003	214	0.77	164	0	194	163	11	20	575
2003-2004f	238	0.88	210	0	230	170	25	35	370-400
Sunflower Seed									
1999-2000	79	1.54	122	19	145	49	55	41	295
2000-2001	69	1.72	119	18	178	77	55	46	320
2001-2002	67	1.55	104	29	179	92	65	22	355
2002-2003	95	1.65	157	21	200	105	60	35	440
2003-2004f	115	1.48	170	15	220	115	70	35	370-400
Buckwheat									
1999-2000	13	1.00	13	1	16	8	7	1	305
2000-2001	15	0.93	14	1	16	9	7	0	305
2001-2002	14	1.14	16	1	17	6	8	3	325
2002-2003	12	1.00	12	1	16	6	7	3	340
2003-2004f	9	1.00	9	1	13	6	6	1	340-370
Total Pulse And Special Crops (c)									
1999-2000	2,136	1.91	4,074	89	4,794	2,620	1,392	782	
2000-2001	2,809	1.76	4,940	82	5,804	3,484	1,568	752	
2001-2002	2,993	1.23	3,681	120	4,553	2,672	1,217	664	
2002-2003	2,386	1.16	2,776	129	3,569	1,868	1,103	598	
2003-2004f	2,737	1.36	3,729	106	4,433	2,716	1,181	536	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, November 7, 2003

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

November 3, 2003

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver BC	November 3, 2003	FOB	N/A	N/A	N/A	165.00		417.50	244.00	140.00	N/A	900.00	510.00					385.00
(4) (7) Calgary	October 27, 2003	FOB	N/A	N/A	N/A	153.00		360.50	218.00	130.00	N/A	900.00	500.00					385.00
AB	November 3, 2003	FOB	140.00	N/A	131.00	155.00		415.50	N/A		40.00	950.00	535.00					345.00
(4) Saskatoon	October 27, 2003	FOB	140.00	N/A	127.00	150.00		388.00	N/A		40.00	950.00	535.00					345.00
Saskatoon	November 3, 2003	FOB	135.00	137.50	108.00	174.00		379.67	235.00		50.00	N/A	535.00			167.33		395.00
SK	October 27, 2003	FOB	136.50	141.50	106.00	174.00		342.00	235.00		50.00	N/A	535.00			167.33		395.00
Melfort	November 3, 2003	FOB																
SK	October 27, 2003	FOB																
Winnipeg	November 3, 2003	FOB	144.50	117.00	121.00	130.00		355.50	235.00		290.00	895.00	485.00					
MB	October 27, 2003	FOB	135.50	117.00	107.50	120.00		328.00	235.00		290.00	895.00	480.00					400.00
Thunder Bay	November 3, 2003	In-Store	157.35	N/A	130.00													400.00
ON	October 27, 2003		158.35	N/A	128.00													
Lake Ports	November 3, 2003	On Board				128.46												
USA	October 27, 2003	Vessel				121.49												
Bay Ports	November 3, 2003	In-Store	192.00	215.00	N/A													
ON	October 27, 2003		188.00	215.00	N/A													
Chatham	November 3, 2003	Track				146.45												
ON	October 27, 2003					142.61												
Toronto	November 3, 2003	N/A					FOB				223.00	N/A	450.00	480.00	143.00		270.00	380.00
ON	October 27, 2003										223.00	N/A	450.00	460.00	143.00		285.00	360.00
Hamilton	November 3, 2003	N/A						362.10	N/A									
ON	October 27, 2003							338.30	N/A									
Eastern	November 3, 2003	FOB				121.50												
ON	October 27, 2003					130.50												
London	November 3, 2003	FOB																
ON	October 27, 2003																	
Port Colborne	November 3, 2003	FOB								130.00				460.00	143.00			
ON	October 27, 2003									101.50				460.00	143.00			
Cardinal	November 3, 2003	FOB												445.00	138.00			
ON	October 27, 2003													460.00	143.00			
Montreal	November 3, 2003		N/A	N/A	N/A	N/A		405.74	261.30	125.67	223.00	850.00	320.00	445.00	138.00			
(5) QC	October 27, 2003	In-Store	188.00	N/A	N/A	N/A	FOB	390.54	235.80	116.67	223.00	850.00	320.00	460.00	143.00		261.00	360.00
Trois-Rivières	November 3, 2003					148.82								445.00	138.00		259.00	360.00
QC	October 27, 2003		190.50		165.40	143.69												
St. Jean QC	November 3, 2003	FOB	162.93	159.16	162.50	135.60		366.44										
(2) St. Hyacinthe QC	October 27, 2003		162.60	159.23	161.04	139.14		360.78										
Quebec	November 3, 2003	In-Store	183.23	N/A	187.54	153.12		388.78										
QC	October 27, 2003		181.23	N/A	184.06	151.41		377.87										
Truro	November 3, 2003	Track	215.26	230.00	190.69	174.17		416.34	299.22									
NS	October 27, 2003		216.51	230.00	187.19	176.82	FOB	388.23	271.11									
Truro	November 3, 2003	Water									255.77		445.00					370.00
NS	October 27, 2003	& Truck	N/A	N/A	N/A	N/A					255.77		445.00					360.00
Halifax	November 3, 2003	In-Store																
NS	October 27, 2003		N/A	N/A	N/A	N/A				297.50		1,050.00	270.00					
			N/A	N/A	N/A	N/A				297.50		1,050.00	270.00					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: Corinne Bruneau Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: bruneau@agr.gc.ca
 US\$1.00=CAN\$1.3197, closing date October 31, 2003
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.
 Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
 Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRs (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley Cash Price WCE (9) Oats 3Cw

B. CASH PRICES AND REPLACEMENT VALUES

November 3, 2003

PRAIRIE GRAINS

Selected Points	Price Basis		This week 3-Nov-03	Last week 20-Oct-03	Month ago 6-Oct-03	Year ago 4-Nov-02
From: Thunder Bay(WCE) (2)	In-Store	Wheat	155.00	155.00	150.50	201.00
(CBOT)		Oat	141.50	135.00	147.25	N/A
(Lethbridge)		Barley	130.00	125.00	127.50	194.70
To: Bayport, ON (1)	In-store	Wheat	178.61	178.61	174.11	224.61
		Oat	N/A	N/A	N/A	N/A
		Barley	157.39	152.39	154.89	222.09
Montreal, QC (1)	In-store	Wheat	183.03	183.03	178.53	229.03
		Oat	N/A	N/A	N/A	N/A
		Barley	162.31	157.31	159.81	227.01
Moncton, NB	Truck via Halifax	Wheat	205.25	205.25	200.75	251.25
		Oat	N/A	N/A	N/A	N/A
		Barley	186.50	181.50	184.00	251.20
Truro, NS	Truck via Halifax	Wheat	199.22	199.22	194.72	245.22
		Oat	N/A	N/A	N/A	N/A
		Barley	184.00	179.00	181.50	248.70
Halifax, NS (1)	In-store	Wheat	190.28	190.28	185.78	236.28
		Oat	N/A	N/A	N/A	N/A
		Barley	170.30	165.30	167.80	235.00
Stephenville, NL	Track / Truck via Sydney	Wheat	253.63	253.63	249.13	299.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 3-Nov-03	Last week 20-Oct-03	Month ago 6-Oct-03	Year ago 4-Nov-02
Soymeal 48% Protein						
From: Hamilton, ON			362.10	312.50	288.70	305.78
To: Montreal, QC	Track		386.43	336.83	313.03	330.11
Moncton, NB	Track		405.18	355.58	331.78	348.86
Truro, NS	Track		408.40	358.80	335.00	352.08
Stephenville, NL	Track / Truck via Sydney		457.03	407.43	383.63	400.71

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

B. CASH PRICES AND REPLACEMENT VALUES

October 20, 2003

PRAIRIE GRAINS

Selected Points	Price Basis		This week 20-Oct-03	Last week 6-Oct-03	Month ago 22-Sep-03	Year ago 21-Oct-02
From: Thunder Bay(WCE) (2)	In-Store	Wheat	155.00	150.50	151.70	194.40
(CBOT)		Oat	135.00	147.25	140.25	N/A
(Lethbridge)		Barley	125.00	127.50	125.00	189.70
To: Bayport, ON (1)	In-store	Wheat	178.61	174.11	175.31	218.01
		Oat	N/A	N/A	N/A	N/A
		Barley	152.39	154.89	152.39	217.09
Montreal, QC (1)	In-store	Wheat	183.03	178.53	179.73	222.43
		Oat	N/A	N/A	N/A	N/A
		Barley	157.31	159.81	157.31	222.01
Moncton, NB	Truck via Halifax	Wheat	205.25	200.75	201.95	244.65
		Oat	N/A	N/A	N/A	N/A
		Barley	181.50	184.00	181.50	246.20
Truro, NS	Truck via Halifax	Wheat	199.22	194.72	195.92	238.62
		Oat	N/A	N/A	N/A	N/A
		Barley	179.00	181.50	179.00	243.70
Halifax, NS (1)	In-store	Wheat	190.28	185.78	186.98	229.68
		Oat	N/A	N/A	N/A	N/A
		Barley	165.30	167.80	165.30	230.00
Stephenville, NL	Track / Truck via Sydney	Wheat	253.63	249.13	250.33	293.03
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 20-Oct-03	Last week 6-Oct-03	Month ago 22-Sep-03	Year ago 21-Oct-02
Corn						
From: US Lake Port	On Board Vessel		110.76	114.63	120.65	168.50
To: Montreal, QC (1)	In-store		129.80	133.67	139.69	187.54
From: Chicago (Mi)	Track		110.76	113.07	121.72	161.69
To: Montreal, QC	Track		139.62	141.93	150.58	190.55
From: Chatham, ON	Track		133.46	143.30	148.81	168.20
To: Montreal, QC	Track		157.26	167.10	172.61	192.00

Soymeal 48% Protein

From: Hamilton, ON			312.50	307.10	299.30	308.31
To: Montreal, QC	Track		336.83	331.43	323.63	332.64
Moncton, NB	Track		355.58	350.18	342.38	351.39
Truro, NS	Track		358.80	353.40	345.60	354.61
Stephenville, NL	Track / Truck via Sydney		407.43	402.03	394.23	403.24

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

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Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

Agriculture and
Agri-Food CanadaAgriculture et
Agroalimentaire Canada

Bi-weekly Bulletin

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DEVELOPMENTS IN BERRY PRODUCTION AND USE

Canadian acreage cultivated for berry production has been expanding rapidly. In western Canada, production has more than doubled over the last ten years in response to increasing demand by consumers. This has mostly been achieved by the combined efforts of producers, researchers and marketing associations to educate the public to the potential health benefits of a berry-rich diet. Sales have been aided by new harvesting, packaging and refrigeration methods that have greatly increased post harvest quality. Innovative processing methods have also greatly expanded the potential uses of berries by processors. Both domestic and export demand is expected to continue to grow in response to continued clinical evidence supporting the health aspects of berry consumption. Varieties which are suited to prairie and northern climates may provide a viable source of diversification and income.

Introduction

Globally in 2001, functional foods represented \$56 billion (G) in sales, led by the US, with \$18.5G, Europe \$18G, and Japan, the oldest and most established market, with \$14G. Worldwide, sales of functional foods grew approximately 7% in 2001, with growth of 7-8% anticipated through 2010.

Functional foods represented \$56G in sales in 2001, or 37% of the \$150G global nutrition industry. It is currently believed that the demand for nutraceuticals and functional foods in Canada is in the CAN\$1-2G range, though estimates depend on the definition of the industry. It is estimated that between \$300 million and \$1G of farm production value goes to supplying ingredients for functional foods. For more information on nutraceuticals and functional foods, please visit the following Agriculture and Agri-Food (AAFC) Canada website

www.agr.gc.ca/food/nff/agbenefits/agbenefits_e.html

In 1998, nutraceuticals and functional foods were estimated to be part of a dynamic and growing \$71G global industry. By 2010, global sales are expected to grow to \$500G. Growth in this industry is being driven by various demographic, economic and social trends. Consumers are taking a proactive approach by increasingly demanding natural products that prevent rather than treat disease.

Currently, health care professionals recommend a balanced diet with at least five servings of antioxidant-rich fruits and vegetables per day. These antioxidant components are highly concentrated in the natural pigments that give food their distinctive colors, (blue, red, green, yellow, etc.). Research has found that the deeply colored fruits and vegetables, in general, contain higher levels of these beneficial compounds.

Berries

The Canadian berry industry is dynamic and diverse with significant markets and developmental initiatives evident over a wide range of crops including, but not

limited to, wild (low bush) blueberries, cranberries, strawberries and raspberries. This paper focuses on examples presented by high bush blueberries, lingonberries, saskatoon berries and elderberries. More information on Canada's berry industry is available through Agriculture and Agri-Food Canada's Market and Industry Services Branch website at www.agr.gc.ca/misb/hort/trends_e.php

Research into high value crops, such as berries, is a key theme of AAFC's Research Branch program (<http://res2.agr.gc.ca>), undertaken in keeping with the science and innovation component of Canada's Agricultural Policy Framework. Such work is carried out in a number of research centres across Canada, including St. John's, Newfoundland, Kentville, Nova Scotia, Saint-Jean-sur-Richelieu, Quebec, and Summerland, British Columbia.

Berries have a long history of use in native and folk medicine in North America. In the more recent past, berries were mostly consumed fresh, baked in pies, or

processed into jams and spreads. Today, new and innovative methods of processing, freezing and packaging have greatly increased berry uses. Improved harvesting and climate controlled environments have enabled distributors to significantly extend the shelf life of fresh berries.

Studies have found that berries contain some of the highest biomedical benefits of all fruits. The greatest opportunity for a growing berry market has been and should continue to be in promoting berries as a health food. As research continues to explore the biomedical benefits of berries and as the food industry strives to incorporate the healthful antioxidants into their products, demand for berry production should continue to increase.

Research has shown that berries grown in Canada can be processed into a supplement as an alternative to the traditional serving of fruits. Products incorporating berries have been used in a variety of pharmaceutical and supplemental products and are expected to continue to grow.

Health Factors

Many studies have supported the view that fruits and vegetables are an important component of a healthy diet. Flavonoids, carotenoids, vitamins, and polyphenols are the main compounds in fruits and vegetables which have been shown to reduce disease risk. These compounds are believed to provide the health benefits of disease prevention through antioxidant activity. Oxidation sometimes produces reactive substances called free radicals that have the potential to damage key components in cells and is believed to initiate the onset of some diseases. Antioxidants are capable of stabilizing these free radicals, before they can cause harm.

Diseases that may be reduced by the consumption of fruits and vegetables are cancer, cardiovascular disease and diabetes. As well, fruit and vegetable consumption may help to slow down the aging process. Results of the SNN Competitive Intelligence Study (March

2000) involving middle-aged rats given a dietary supplement of various berry extracts containing high levels of antioxidants demonstrated a reversal of neuronal and behavioral aging in just an eight week period. The conclusion summarized that a diet rich in antioxidants, in addition to their known beneficial effects on cancer and heart disease, may be helpful in reversing the course of neuronal and behavioral aging.

Chemical analysis of 16 species of cultivated berries and 9 species of wild berries has confirmed that the levels of flavonols, known anticarcinogens, were significantly higher than in most commonly consumed fruits and vegetables. The lowbush blueberry had the third highest antioxidant activity of the fruits and vegetables tested.

Improvements in post-harvest methods

Fresh blueberry sales have historically provided higher returns to producers. However, commercial sales of fresh berries are constrained by the extremely short shelf life of the product. Under normal room temperatures, berries quickly begin to spoil, reducing their appeal and lowering nutrient value. New harvesting methods that extend shelf life and maintain consistently high post-harvest quality, should translate into higher profits for producers. Several harvesting methods studied and some now in practice, have proven to extend post harvest quality.

Berries in general freeze very well and can maintain their quality for up to two years. Most of the freshly harvested berries are flash frozen within two hours which has allowed sales to be extended year-round. The United States Department of Agriculture (USDA) has concluded that frozen fruits and vegetables are just as healthy as fresh and may even retain their nutritional value longer. Tests measuring the recoverable levels of anticarcinogenic flavonoids in frozen fruit and vegetables found that flavonol levels ranged from 77 to 110% and that of flavones from 99 to 106% compared to the unfrozen sample. Berries were found to freeze the best of all fruits and vegetables tested. This has added to

the marketability of berries.

Processing

A relatively new process called infusion, involves drying the berry and infusing it with sugar to increase its stability and flavour. This process, developed for the cherry industry, is now used for blueberries, cranberries and saskatoon berries. This process allows processors to use the infused berry in baked goods without it disintegrating. In comparison to dried fruit, this process increases the flavour and the improved texture creates the potential for these berries to be used by the large cereal, snack food, and ice cream processors.

Production Considerations

Production of berries is a long-term crop decision. Estimated costs to establish the crop during the first three years are about \$10,000 per acre (/ac) (excluding land and equipment costs). Thereafter expenses of approximately \$2,800/ac are fairly stable, with the exception of expenses for nitrogen applications, harvesting and pruning which increase every year. Harvest can begin 3-4 years after planting but the plants do not reach full maturity until roughly the 6th to 12th year, depending on the species. Production will generally increase from year three to year eight.

HIGHBUSH BLUEBERRY

Profile

Blueberry area in British Columbia (BC) has tripled from almost 3,000 ac in 1985, to an estimated 9,000 ac in 2003. Blueberry farms range in size from a few acres, to over 300 ac, however, most operations are about 20 acres.

BC accounts for about 97% of the highbush blueberry production in Canada, with roughly 99% of BC production occurring in the lower Fraser Valley. BC ranks as the third largest producer in the world following Michigan and New Jersey. In 1999, the US accounted for about 83% of the total 208.1 million pounds (Mlb) of North American production, with BC accounting for just over 16%. In 2000, the total value of blueberry sales in BC is

MONETARY VALUE OF BRITISH COLUMBIA BLUEBERRIES

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
	.....thousand dollars.....										
Fresh Wholesale	3,061	4,950	2,810	6,362	6,865	9,975	11,529	11,810	12,685	20,161	15,340
Farm & Roadside	2,629	1,409	652	851	1,232	878	727	904	1,504	2,036	2,902
Processed	<u>4,278</u>	<u>17,103</u>	<u>5,362</u>	<u>9,110</u>	<u>7,245</u>	<u>13,770</u>	<u>7,650</u>	<u>10,440</u>	<u>18,842</u>	<u>21,060</u>	<u>14,940</u>
Total	9,968	23,462	8,824	16,324	15,342	24,623	19,906	23,154	33,030	43,258	33,182
	.....dollars per pound.....										
Fresh Wholesale	0.77	0.86	0.59	0.62	0.58	0.95	1.00	0.75	1.10	1.10	0.80
Farm & Roadside	1.01	0.99	1.17	1.14	0.77	1.16	1.24	0.87	1.21	1.06	1.38
Processed	<u>0.65</u>	<u>0.72</u>	<u>0.40</u>	<u>0.53</u>	<u>0.38</u>	<u>0.90</u>	<u>0.75</u>	<u>0.60</u>	<u>0.90</u>	<u>0.90</u>	<u>0.60</u>
Total*	0.78	0.77	0.52	0.60	0.50	0.93	0.91	0.69	0.99	1.00	0.76

* weighted average

Source: British Columbia Ministry of Agriculture, Food & Fisheries

estimated at over \$43M and as the 13th largest agricultural sales commodity is ranked just slightly lower than apples.

In BC, production is expected to continue to grow as new fields are planted and young plantings mature and bear more fruit. Production in 2003 is estimated to be about 40 Mlb, 5 Mlb higher than in 2002 and over 26 Mlb higher than in 1991.

Almost all of the highbush blueberries are grown in BC because good varietal selection and a moderate climate produces a larger, higher yielding berry. Varieties suited to colder climates with winter temperatures as low as -40 degrees will also produce, however they will have lower yields because plant size is smaller.

Marketing

Organic grown blueberries generally command the highest prices but there is a limited amount grown in BC. Farm and roadside sales provides the next highest return for producers per pound, however, these sales are generally very small in comparison to total sales. Fresh wholesale sales and sales to processors provide the third and fourth highest return for producers respectively.

From 1997 to 2001 approximately 70% of the BC crop was sold to the processing market with the remainder sold wholesale fresh, on farm or at roadside stands. In 1999, it is estimated that 11.5 Mlb were

sold fresh with the remaining 21.0 Mlb sold to the processing market. Because of higher prices BC producers are continually making efforts to increase sales of fresh berries. These marketing efforts have proven successful as the cash receipts of fresh market berries have increased from \$2.8M in 1993 to about \$20.2M in 2000.

Because of the significant annual variation of blueberry production, prices are largely influenced by supplies. In BC alone, production of blueberries has increased over 20 Mlb between 1991 and 2001, yet prices were still able to increase significantly. From 1991 to 1995, the average price per pound (/lb) for fresh wholesale and to processors was \$0.68/lb and \$0.54/lb respectively. In comparison, during the period from 1996-2000, the average fresh wholesale price increased to \$0.98/lb, while the processing price increased to \$0.81/lb. The higher overall average price per pound even as production increased, is a tribute to the successful marketing efforts of blueberry producers and their associations.

Michigan in particular and New Jersey, to a lesser extent, both have a significant influence on prices because of their relatively large production. In 1999, production in Michigan and New Jersey was estimated at over 100 Mlb. This represented over 50% of the total North American highbush market.

Most of the fresh and processed berries are sold to the Prairie provinces, the US, Japan, the European Union (EU) and Australia. The total value of blueberry exports has increased from just over \$7.5M in 1990 to almost \$63.0M in 2001. The US, at roughly 86%, is by far the largest export market for our highbush blueberries, followed by Japan with about 13%. Sales to other countries such as the EU, Australia, New Zealand and China are small but with some further market development effort, may provide a potentially large export market.

Producers are members of both the BC Blueberry Council (BCBC) and the North American Blueberry Council (NABC). Both organizations conduct promotional activities, fund research projects, sponsor grower education programs and comment on issues that impact blueberry growers.

LINGONBERRY

Profile

Lingonberry fruit is a cool-climate berry crop harvested from the wild throughout its distribution in northern regions of the world. It is a commercially important fruit crop, a medicinal plant and is used as a landscape ornamental ground cover. The smaller North American variety in Canada is traditionally harvested from natural stands in Newfoundland and Labrador and by the Aboriginal peoples in northern Canada.

The berries and leaves are used medicinally as bladder and kidney disinfectants, to lower cholesterol levels and to treat stomach disorders and rheumatic diseases. Lingonberries have higher levels of antioxidants than lowbush blueberries and the second highest antioxidant activity of all fruits and vegetables.

Natural stands have been harvested in Newfoundland, but due to the increased demand for nutritious, natural fruit-based drinks and other products such as sauces, preserves, candy, jelly, syrup, ice cream, pickles, wine, and liqueurs, demand now exceeds production. Urban encroachment, changes in forest management, uncontrollable fruit quality from native stands and fluctuations in annual yield due to climatic variation have intensified the need to select superior native plants for horticulture.

The expectation of continuing fluctuations in the supply of lingonberries from the wild suggests potential for commercial success in cultivation and marketing of this new crop. More than 200 lingonberry clones from natural stands have been collected at the Atlantic Cool Climate Crop Research Centre of AAFC. Biotechnology, along with traditional breeding will provide superior and better adapted crops which should produce improved and higher yielding berries.

Currently there is only small scale commercial production of lingonberry in North America and costs of production are relatively unknown. However, these costs are likely similar to those estimated for blueberries under production considerations.

Sandy, acid soil with a pH between 5-6 and at least 2% organic matter is reported to be the best medium for early establishment and growth of lingonberries. Sawdust, wood chips or tree mulch may be added to keep the soil acidic and to protect the roots from severe cold. Lingonberries require very little fertilization, but irrigation is often needed to ensure consistent production.

Marketing

Export competition from the EU is not expected to be significant because lingonberries grow wild in the woods, and the common law of Scandinavian countries provides that anyone may pick wild berries regardless of land ownership. The geography of these countries is mostly mountainous and hence there are few areas of flat sandy land to plant lingonberries. Commercial production in the US was attempted in Wisconsin during the mid-1990s with limited success. The conclusion from the test site was that in general the climate was too hot and the soil too heavy for a successful operation.

The commercial harvest can vary greatly, due primarily to weather conditions during the year and market prices. Between 1989-1999, the Canadian commercial harvest varied between 82,000 lb and 1,000,000 lb. In 1994, the price of lingonberry was \$1.17/lb, and the amount picked was almost 1,000,000 lb. In 1998, the price was \$0.64/lb, and the amount picked was about 353,000 lb. Successful commercial production will depend on the ability to supply the market with a consistent high quality product and then to increase market size. The significantly high antioxidant levels found in lingonberries would be an important marketing tool considering the uses are very similar to those of cranberries.

SASKATOON BERRY (SASKATOONS)

Profile

The saskatoon is a fruit bearing shrub native to the southern Yukon, the Northwest Territories, Canadian prairies and northern plains of the US. It is

extremely adaptable and grows under a wide range of environmental conditions.

Until recently, saskatoons could only be picked in the wild and were a main food source for the native peoples and prairie settlers. In the modern era, public demand for the fruit has been centered around its unique taste and most recently, its potential health benefits. A three-year study at the University of British Columbia found that saskatoons had antioxidant activity that was comparable to blueberries.

During the past two decades, area planted on the Canadian prairies is estimated to be as high as 3,300 ac. The majority of new producers start out as u-pick operators, typically with less than five acres. As they become established and increase area, a larger portion of their crop is likely to be sold to processors rather than as fresh berries. Like other berries, saskatoon plants do not bear fruit until they become three or more years old. Mature irrigated plants (especially cv Smoky) can have yields as high as 15,500 lb/ac. The five-year average at University of Saskatchewan trials has been 8,000 lb/ac. In 2001, prairie production was estimated to be more than 4.5 Mlb, which represents about 97% of total North American production. However, production of saskatoons can vary widely depending upon the type of cultivar and the growing season. In 2002, prairie production is estimated to have dropped to 2.5 Mlb. This has been an obstacle to marketing efforts since a consistent annual supply is difficult to obtain.

2001 ESTIMATED SASKATOON BERRY INDUSTRY

	Plantings (acres)	Number of Growers	Production		Percent of North America
			acres	million pounds	
Saskatchewan	1,000-1,500	200-250	900-1,100	2.0	43%
Alberta	1,000-1,500	100-150	900-1,100	2.0	43%
Manitoba	300-400	40-60	200-300	0.5	11%
Canada	-	-	-	4.55	98%
North America	-	-	-	4.65	100%

Source: University of Saskatchewan

Marketing

Saskatoons are well known in central Canada, but relatively unknown in other areas. As a result, the present market for saskatoon berries has tended to be in the prairie provinces. However, due to increasing consumer demand for saskatoons outside of the prairie provinces, the number of processing companies is estimated to have increased from a few just over ten years ago, to more than 25 companies in 2002. These companies, generally small and medium sized, are gradually making a transition from niche market status to the main stream. In 2002, eight Saskatchewan berry orchards entered into a marketing and distribution effort to market frozen saskatoons in 300 co-op grocery stores across western Canada. However, the long-run viability of the saskatoon industry will need to be built on consumer acceptance in areas other than the prairie provinces. Currently, about 30% of the processors are involved in export, but this is a relatively small percent of total production. Recent successful international marketing efforts with European distributors offer promising export potential.

Prices received for U-pick berries traditionally have the highest returns for producers, however in years of shortages, berries sold to processors can have higher returns. Saskatoon berries compete for market share with other berries, therefore the price of saskatoons will also be determined by the supply and demand for berries. Generally U-pick berries sell on average for about \$2.00/lb whereas prices paid by processors have averaged about \$1.50/lb. Because these berries are potentially shipped over large distances, they are frozen at the farm gate and are sold throughout the year. Processors use saskatoons to produce products such as syrups, jams, fillings, sauces, muffins, liqueurs and wine.

ELDERBERRY

Profile

Elderberry belongs to the honeysuckle family, comprising about 20 species of shrubs or small trees. The elderberry of most interest for its valued berry is the common Canadian elderberry (*Sambucus canadensis*). It is native to eastern North America, from Nova Scotia to Florida and west to Minnesota and Texas. Canadian elderberry is a bushy, multi-stemmed, wide spreading shrub often forming dense thickets as a result of suckering from the roots. The shrub produces small white flowers in June which form umbrella-shaped clusters of purple-black berries 4-6 millimeters (mm) in diameter.

Elderberry has been used as a food source for centuries in Europe and North America. Cultivation has been expanded mainly for the production of wine, juice, jam, jelly, pies and for the production of non-poisonous dye used for marking cuts of meat. Elderberry has an extensive reputation as a healing plant. The leaves, flowers, bark and fruits have all been used in healing and the plant has been used in folk medicine throughout history. Elderberries have been a traditional remedy for constipation, colic, diarrhea, cold, fever and rheumatism by native Americans. Recently it has attracted considerable attention from researchers and industry for its nutritional and medicinal values.

The flowers of the European variety (*Sambucus nigra*) are believed to have diuretic and laxative effects and the fruits contain viburnic acid, which promotes respiration. The flowers are also used for medical treatment of allergic dermatosis and bronchial asthma and it is believed they stimulate the body's ability to resist viral infections such as colds and influenza. According to German regulatory authorities, there are no known side effects or drug interaction with use of the flowers. Elderberry tea is an old remedy thought to provide relief for coughs and sinus congestion, and it reduces swelling associated with sore throat. It promotes the removal of waste products from the

body, and is thought to be a powerful immune stimulant.

Elderberry is going beyond its traditional medicine uses and is increasingly becoming a popular functional food ingredient. The fruits contain high nutritional values including vitamin C and B6 with a high anthocyanins content. Clinical trials have demonstrated that the antioxidant-rich juice has health protective potential in humans. Raw berries have laxative and diuretic properties, however, the seeds are toxic. When cooked, elderberries are edible.

Elderberry planting is similar to that for apple orchards and it should be planted very early in the spring to take advantage of its early growth characteristics. Elderberry can withstand temperature variations from -40 C to 38 C. All elderberries are only partially self-fertilizing. Planting a mixture of two or more varieties to ensure proper pollination is recommended. A trial has been initiated in Canada with native elderberry for assisted pollination to improve fruit production.

Under cultivation, to increase fruit size and yield, elderberry needs irrigation when annual precipitation is less than 700 mm. Yield is affected by planting space and soil nitrogen levels. At plant maturity, yields can be as high as 15 tonnes per hectare. Elderberry is tolerant of a wide range of soil conditions, although it prefers well drained, moist sandy and loamy soils, rich in organic matter. A pH range of 5.5-6.0 is recommended for optimal growth, however it can tolerate a pH range of 5.5-7.5. The shrub grows rapidly in a sunny open location. Early season pruning is important to encourage strong shoot growth, to remove winter injured canes and improve fruit production. Weed control is a vital procedure for cultivation of elderberries especially during the first 3 to 5 years. Growth and survival of young plants can be increased significantly when there is little competition from weeds. A survey is being taken in Quebec to evaluate the effect of crop management practices such as plant density, fertilization and irrigation on yield and crop quality.

Selections of superior plants from the wild have traditionally been used but high quality cultivars from breeding programs in New York, Pennsylvania and Nova Scotia have been developed. Nutritional value improvement of elderberry juice and increased anthocyanin protection against oxidative degradation should be obtained though selection of cultivars with a higher vitamin C content. Virus free varieties and varieties with improved pigment stability are areas of interest for future breeding direction.

There are many forms and varieties of Canadian elderberry developed in Canada. The cultivar Adam was selected for its larger and more numerous fruits. The cultivar Johns was selected and evaluated at the AAFC Research Station in Kentville, Nova Scotia. It is a large shrub of three meters in height with very large fruit and appears to be more tolerant to frost damage. Kent was introduced in 1960 at the Kentville research Station from an open pollination of Adams. Kent, the earliest maturing cultivar, has less vigorous growth but it produces medium fruits with early and uniform maturation. Victoria, a cultivar also developed from open pollination of Adams, is less vigorous but the fruits are very easy to harvest. To determine hardiness and potential growth of native plants and cultivars, a trial is underway to evaluate indigenous and five other cultivars in five provinces across Canada.

Marketing

Elderberry is a valuable crop with promising economics. As a juice the drink contains considerable amounts of Vitamins A, B and C, as well as flavonoids, sugar, tannins, carotenoids and amino acids.

Sambucus nigra leaves and flowers are a mild astringent which has been used in skin washes to refine complexion and help relieve eczema, acne and psoriasis. Flower water has been used as a soothing gargle and is an excellent eye wash. The leaves and flowers are a common

ingredient in ointments for burns, swelling, cuts and scrapes. The colorant from the fruit is used in wines, as a dye, and as a natural food colorant in foods.

Continued research needs to be carried out to determine the full medicinal potential of *Sambucus canadensis*. Preliminary results have suggested that it may provide most of the same benefits as *Sambucus nigra*. The dye extracts from *canadensis* have received considerable attention for their special characteristics of increased stability to light and heat than any other *Sambucus* species.

As research in Canada continues to develop improved varieties and as additional knowledge of crop management practices is gained, elderberry production is expected to become a viable alternative crop. Demand for elderberry is expected to increase in response to a growing global demand for nutraceuticals, functional foods and other products which are specifically derived from elderberry.

OUTLOOK

Berry production is expected to continue to expand in reaction to high market prices, increasing demand by consumers and the need to diversify farm operations. Demand from processors is expected to increase when consistently higher cultivated production levels are achieved. This applies more to lingonberries, elderberries and saskatoons where production and cultivation is relatively small. Sustainability and long-term growth of the blueberry and saskatoon berry industries is dependant on markets beyond western Canada to provide price support.

Public awareness of the health benefits of berry consumption has proven to be a powerful marketing tool and should continue to provide the catalyst for expanding demand. Scientific research along with promotional and educational efforts should continue to increase

consumers' knowledge of the benefits of berry consumption.

Cool climate berries such as the lingonberry and the saskatoon which are ideally suited to prairie and cool climates could become a potential source of diversification and economic development for farmers and aboriginal people. Berries grown in remote northern areas are grown in clean land with little use of pesticides. Market studies have determined that berries grown in such areas can command a price premium similar to organic grown berries.

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CANADA: GRAINS AND OILSEEDS OUTLOOK

December 8, 2003

For 2003-04, total production of grains and oilseeds in Canada is estimated by Statistics Canada at 59.6 million tonnes (Mt) versus 43.3 Mt in 2002-03 and the 10-year average of 59.7 Mt. In western Canada, production is estimated to increase to 44.1 Mt from 28.9 Mt in 2002-03 and crop quality is generally above average. The proportion of the wheat and durum crop in western Canada in the top two grades is estimated to be over 90%, compared to less than 30% in 2002-03, and the protein content is above normal due to the hot dry growing season. Barley protein levels are also likely higher than normal, which may limit the amount selected for malting purposes. Fusarium is not a problem in wheat or barley. Total supplies have increased, as higher production has more than offset low carry-in stocks. In eastern Canada, production has increased to 15.6 Mt, from 14.5 Mt in 2002-03, due to near-record corn yields. It has been assumed that the trade disruptions affecting the cattle and beef sector, related to the single case of bovine spongiform encephalopathy (BSE) in Alberta, will not have a major impact on feed use in 2003-04.

Average world wheat export prices, in US dollars, have decreased from the 2002-03 level due to higher production in the US, Canada and Australia. However, prices have been supported by lower production in the EU, Eastern Europe, Ukraine and Russia. For coarse grains, prices are expected to be pressured by the record US corn crop but for barley, this will be partly offset by low feedgrain production in Europe. The European Union (EU) suspended its weekly open market export tenders for wheat, barley and rye on July 31. For oilseeds, world prices have increased significantly from last year due to lower soybean production in the US and strong world demand. In Canada, except for soybeans, the average prices for grains and oilseeds are expected to be lower than last year due to increased supply and the stronger Canadian dollar relative to the US dollar. The major factors to watch are: import demand from China, growing conditions in Brazil for the soybean crop, EU grain export policy, the area seeded to winter wheat in the US, growing conditions in major winter wheat producing countries, ocean freight rates, and the Canada/US exchange rate.

WHEAT (ex-durum)

Production increased by 56% from 2002-03, to 19.3 Mt, just below the 10-year average of 19.9 Mt. The higher production has been partly offset by a 23% decrease in carry-in stocks, and total supplies are up by 32% from 2002-03, at 23.3 Mt. Ontario wheat production is a record 2.2 Mt, 86% above the 10-year average. Total exports are forecast to more than double, to 12.6 Mt, from only 6.2 Mt in 2002-03, but remain below the 10-year average of 13.5 Mt. Of this, a record 1.2 Mt are expected to be from Ontario. Much of the Ontario exports will be to the US, as US mills are reported to be buying Ontario soft red and white winter wheat because of the fusarium problems in the US soft red winter crop. Total feed use in Canada is expected to decline by 25% from 2002-03, to 2.9 Mt, due to good quality and higher barley supplies. Carry-out stocks are forecast to rise slightly but remain at an historically low level of 4.2 Mt. The Canadian Wheat Board (CWB) Nov. 2003-04 Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$185/t, in-store Vancouver/St. Lawrence (I/S VC/SL), unchanged from Oct. and \$56/t below 2002-03, with a slightly stronger world price outlook offset by the stronger Canadian dollar.

DURUM

Production increased by 10% from 2002-03 to 4.3 Mt due to higher harvested area, although yields are relatively unchanged from last year due to continued dryness in southern Saskatchewan. Carry-in stocks are up by 8% from 2002-03, and total supplies have increased by 10% to 5.9 Mt, but remain below the 10-year average of 6.2 Mt. Exports are forecast to rise by 15%, to 3.4 Mt, due to increased supplies of Nos. 1 and 2 CWAD. This remains below the 10-year average of 3.6 Mt, largely due to weak world demand for durum wheat resulting from good crops in North Africa. Carry-out stocks are projected to rise slightly, to 1.7 Mt, equal to the 10-year average. The CWB Nov. PRO for No.1 CWAD 11.5% protein is up by \$2/t from Oct., at \$205/t, I/S VC/SL, but \$65/t below 2002-03,

with the increase from last month due to stronger than expected demand from the EU. The premium for No.1 CWAD 11.5% over No.1 CWRS 11.5% is projected at \$20/t, vs \$29/t in 2002-03.

BARLEY

Production increased by 65% from 2002-03 but supplies rose by only 41%, due to lower carry-in stocks. Exports of malting barley and feed barley are both expected to increase sharply. Feed use of barley is expected to rise significantly from 2002-03, as barley displaces imports of US corn in western Canada. Barley carry-out stocks are forecast to increase but remain historically low. Off-Board feed barley prices are expected to decrease sharply. The CWB Nov. PRO for No.1 CW Feed barley is \$159/t, I/S VC/SL, vs the 2002-03 PRO of \$164/t. The CWB PRO for Special Select Two Row designated barley is \$197/t, vs \$242/t in 2002-03, due to higher supplies in North America and Australia.

OATS

Production and supplies increased by nearly 30% from 2002-03. Exports, mainly to the US, are expected to rise significantly due to larger supplies and reduced competition from Sweden and Finland. Carry-out stocks are expected to rise slightly. Prices are forecast to fall sharply largely due to higher production in Canada and the US and the stronger Canadian dollar. The premium for oats over corn is expected to fall significantly.

CORN

Production is estimated to increase by 7 percent from 2002-03 due to higher yields. Supply is forecast to decrease, as imports are expected to fall to 1.5 Mt, due to higher barley production in western Canada and increased corn and wheat production in eastern Canada. Carry-out stocks are forecast to decrease. The average Chatham price is forecast to fall by about \$20/t from 2002-03, due to the stronger Canadian dollar and lower US corn prices.

CANOLA

Production increased by 60% from 2002-03, but supplies rose by only 37%, due to lower carry-in stocks. Domestic crush is forecast to rise by 39%, supported by reported canola oil sales to China. Exports are also forecast to increase by 38%, due to higher shipments to Mexico and China. Carry-out stocks are forecast to rise from 2002-03 levels. The average Vancouver cash price is forecast to fall to \$360-390/t, as the stronger Canadian dollar offsets support from higher US soyoil prices.

FLAXSEED (excluding solin)

Production increased by 11%, but supplies rose by only 1% due to lower carry-in stocks. Exports are forecast to decrease slightly on weaker EU demand. Carry-out stocks are expected to rise from 2002-03. The average Thunder Bay cash price is forecast to fall to \$335-365/t, under pressure from higher supplies and the stronger Canadian dollar.

SOYBEANS

Production is estimated to decrease by 3%, due to lower yields. Supplies are forecast to fall slightly. Food and industrial use, exports and carry-out stocks are forecast to decrease slightly. The average Chatham price is forecast to increase to \$325-355/t, as support from higher world prices more than offsets pressure from the stronger Canadian dollar.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

December 8, 2003

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use	Feed, Waste & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes-----											
Durum											
2001-2002	2,036	1.47	2,987	12	5,872	3,628	249	213	700	1,545	260.43
2002-2003	2,246	1.73	3,877	6	5,427	2,968	279	283	799	1,660	270 *
2003-2004f	2,434	1.76	4,280	5	5,945	3,400	285	310	845	1,700	205 **
Wheat Except Durum											
2001-2002	8,550	2.06	17,581	85	24,459	12,578	2,776	3,129	6,697	5,185	207.16
2002-2003	6,590	1.87	12,321	173	17,678	6,223	2,767	3,904	7,465	3,990	241 *
2003-2004f	8,009	2.41	19,272	25	23,287	12,600	2,780	2,947	6,487	4,200	185 **
All Wheat											
2001-2002	10,585	1.94	20,568	97	30,331	16,206	3,025	3,342	7,396	6,729	
2002-2003	8,836	1.83	16,198	178	23,105	9,191	3,046	4,188	8,264	5,650	
2003-2004f	10,443	2.26	23,552	30	29,232	16,000	3,065	3,257	7,332	5,900	
Barley											
2001-2002	4,150	2.61	10,846	112	13,473	1,772	306	8,898	9,654	2,047	158.60
2002-2003	3,348	2.24	7,489	259	9,795	939	181	6,796	7,415	1,441	171.88
2003-2004f	4,446	2.77	12,328	50	13,819	2,650	320	8,864	9,619	1,550	120-140
Corn											
2001-2002	1,268	6.62	8,389	3,844	13,113	193	2,285	9,544	11,864	1,056	132.90
2002-2003	1,283	7.01	8,999	3,904	13,958	308	2,385	10,121	12,540	1,111	145.34
2003-2004f	1,226	7.82	9,587	1,500	12,198	400	2,500	8,263	10,798	1,000	115-135
Oats											
2001-2002	1,238	2.17	2,691	53	3,598	1,409	147	1,479	1,826	363	202.19
2002-2003	1,379	2.11	2,911	21	3,294	1,189	128	1,226	1,546	559	193.91
2003-2004f	1,575	2.34	3,691	5	4,255	1,600	150	1,715	2,055	600	120-140
Rye											
2001-2002	123	1.85	228	4	309	62	39	144	198	49	
2002-2003	77	1.74	134	2	185	52	38	43	103	30	
2003-2004f	147	2.22	327	5	362	85	47	162	227	50	
Mixed Grains											
2001-2002	159	2.80	447	0	447	0	0	447	447	0	
2002-2003	132	2.72	359	0	359	0	0	359	359	0	
2003-2004f	135	2.84	384	0	384	0	0	384	384	0	
Total Coarse Grains											
2001-2002	6,938	3.26	22,600	4,013	30,939	3,436	2,777	20,513	23,988	3,515	
2002-2003	6,218	3.20	19,892	4,185	27,591	2,488	2,731	18,544	21,963	3,141	
2003-2004f	7,529	3.50	26,317	1,560	31,018	4,735	3,017	19,388	23,083	3,200	
Canola											
2001-2002	3,785	1.33	5,017	226	6,331	2,524	2,293	229	2,558	1,250	357.45
2002-2003	3,262	1.28	4,178	240	5,667	2,394	2,225	116	2,379	894	415.09
2003-2004f	4,689	1.42	6,669	225	7,788	3,300	3,100	293	3,438	1,050	360-390
Flaxseed											
2001-2002	662	1.08	715	24	998	618	n/a	n/a	195	185	319.77
2002-2003	633	1.07	679	27	892	577	n/a	n/a	186	129	401.97
2003-2004f	728	1.04	754	20	903	550	n/a	n/a	203	150	335-365
Soybeans ^{1/}											
2001-2002	1,069	1.53	1,635	982	2,802	501	1,694	366	2,129	172	269.01
2002-2003	1,024	2.28	2,336	651	3,159	722	1,763	458	2,291	145	307.55
2003-2004f	1,047	2.17	2,268	650	3,063	700	1,750	418	2,238	125	325-355
Total Oilseeds											
2001-2002	5,516	1.34	7,367	1,233	10,132	3,643	n/a	n/a	4,882	1,607	
2002-2003	4,919	1.46	7,193	918	9,718	3,694	n/a	n/a	4,856	1,168	
2003-2004f	6,464	1.50	9,692	895	11,755	4,550	n/a	n/a	5,880	1,325	
Total Grains And Oilseeds											
2001-2002	23,039	2.19	50,535	5,343	71,402	23,285	n/a	n/a	36,267	11,851	
2002-2003	19,973	2.17	43,282	5,280	60,414	15,373	n/a	n/a	35,083	9,959	
2003-2004f	24,437	2.44	59,561	2,485	72,005	25,285	n/a	n/a	36,295	10,425	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use. For flaxseed and soybeans, food/industrial use and feed/waste/dockage are included in the total domestic use, but are not reported due to data confidentiality.

(e) Crop year average prices: No. 1 CWRS 11.5% and No. 1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No. 2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* September 2003 CWB Pool Return Outlook (PRO)

** November 2003 CWB PRO.

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

f: Agriculture and Agri-Food Canada forecast, December 8, 2003

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

December 8, 2003

For 2003-04, total pulse and special crops production increased by 37%, from 2002-03, to 3.67 million tonnes (Mt), based on Statistics Canada's (STC) November production estimates, which were released on December 5. Total supply increased by only 23% because of lower carry-in stocks. Total exports and domestic use are forecast to increase, due to higher supply and strong demand, resulting in lower carry-out stocks. Average prices, over all grades and markets, are forecast to increase from 2002-03 for dry beans, chick peas and buckwheat, be the same for lentils, and decrease for dry peas, mustard seed, canary seed and sunflower seed. Canadian pulse and special crops prices are being pressured, to a varying degree, by the stronger Canadian dollar, compared to US and some other currencies, and sharply higher ocean freight rates.

For most crops in western Canada, yields were below trend, due to delayed seeding, hot and dry weather, and insect damage, but higher than in 2002-03. For eastern Canada, trend yields are forecast. Harvesting was much quicker than in 2002-03 and significantly faster than normal, with the exception of dry beans in eastern Canada, which were harvested later than normal. Crop abandonment was normal and crop quality is normal for dry beans, mustard seed, canary seed, sunflower seed and buckwheat, and higher than normal for dry peas, lentils and chick peas. In 2002-03, crop abandonment was much higher than normal and quality lower than normal for most pulse and special crops, due to wet weather in western Canada during harvest. The main factors to watch are the exchange rate of the Canadian dollar against the US dollar and other currencies, ocean freight rates, and growing and harvest conditions in major producing countries, especially in Australia, India, Pakistan, Mexico and Argentina.

DRY PEAS

For 2003-04, production and supply increased significantly, with a marginally higher seeded area, lower abandonment and higher yields. Production increased for yellow, green and other types. World supply increased by 4% to 10.9 Mt, but this is expected to be offset by higher use for livestock feed. Canadian exports and domestic use are forecast to increase, due to higher supply, lower prices and strong demand, with a larger portion going into the feed market. Carry-out stocks are forecast to decrease marginally, with a stocks-to-use (s/u) ratio of 14%. The average price, over all types, grades and markets, is forecast to decrease due to the higher world supply.

LENTILS

Production and supply increased significantly, as an 8% decrease in seeded area was more than offset by lower abandonment and higher yields. Production increased for large, medium and small green, red and other types. World supply decreased by 2% to 3.22 Mt. Canadian exports are expected to increase, as Canada's share of world supply rises. Carry-out stocks are forecast to decrease, with a s/u ratio of 7%. The average price, over all types and grades, is forecast to be the same as in 2002-03, as pressure from the higher Canadian supply is offset by higher average quality.

DRY BEANS

Production and supply decreased moderately, as a 27% decrease in seeded area was partly offset by lower abandonment and record yields. Production decreased for white pea, red kidney and black beans, remain stable for pink beans, and increased for Great Northern, pinto, small red and cranberry beans. Exports are forecast to increase slightly and carry-out stocks are expected to be the same as in 2002-03, with a s/u ratio of 18%. US production decreased by 21%

to 1.04 Mt, due to lower seeded area. The average price, over all classes and grades, is forecast to increase due to lower supply.

CHICK PEAS

Production and supply fell sharply due to a 72% decrease in seeded area, which is partly offset by lower abandonment. Production decreased for all types, desi, large kabuli and small kabuli. World supply increased by 3% to 7.9 Mt. Canadian exports are forecast to decrease sharply due to lower supply. Carry-out stocks are forecast to decrease, with a s/u ratio of 17%. The average price, over all types, sizes and grades, is forecast to increase due to higher quality in Canada.

MUSTARD SEED

Production and supply increased significantly due to an 18% increase in seeded area, lower abandonment and higher yields. Production increased for yellow and brown types, but decreased slightly for the oriental type. US production, nearly all yellow, is forecast to decrease due to a 50% decrease in seeded area. Canadian exports are expected to increase because of the higher supply and lower prices. Carry-out stocks are forecast to increase, with a s/u ratio of 48%. The average price, over all types and grades, is forecast to decrease sharply because of higher supply.

CANARY SEED

Production and supply increased significantly, as a 9% decrease in seeded area was more than offset by lower abandonment and higher yields. World supply increased by 17% to 290,000 t. Canadian exports are expected to increase, because of higher supply and lower prices. Carry-out stocks are forecast to increase, with a s/u ratio of 23%. The average price is forecast to decrease sharply because of increased supply and faster than normal harvest pace in 2003-04, compared to the very late harvest in 2002-03.

SUNFLOWER SEED

Production decreased slightly as a 19% increase in seeded area was more than offset by significantly lower yields. Supply increased slightly due to higher carry-in stocks. Production decreased for the confectionary type, but increased for the oilseed type. US production is estimated to increase by 5% to 1.19 Mt, with an increase for the oilseed type and a decrease for the confectionary type. World supply is expected to increase by 10% to 27.0 Mt, due to higher production of the oilseed type. The total US and Canadian supply of the confectionary type decreased, while the supply of the oilseed type increased. Canadian exports and domestic use are expected to increase due to the higher supply and strong demand. Carry-out stocks are forecast to decrease, with a s/u ratio of 17%. Lower total US and Canadian supply is expected to support prices for the confectionary type, while higher world supply is expected to pressure prices for the oilseed type. The average price, over both types and all grades, is forecast to decrease due to the higher supply of the oilseed type.

BUCKWHEAT

Production and supply decreased, due to a 23% drop in seeded area. World supply is forecast to decrease by 7% to 2.47 Mt. Canadian exports are expected to remain stable and carry-out stocks are forecast to decrease. The average price, over all grades and markets, is forecast to increase due to lower supply.

FURTHER INFORMATION:

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

December 8, 2003

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----									
Dry Peas									
1999-2000	835	2.70	2,252	12	2,639	1,417	822	400	135
2000-2001	1,220	2.35	2,864	12	3,276	2,196	885	195	138
2001-2002	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,050	1.30	1,365	41	1,681	700	671	310	210
2003-2004f	1,271	1.67	2,124	25	2,459	1,400	759	300	150-180
Lentils									
1999-2000	497	1.46	724	10	794	503	211	80	380
2000-2001	688	1.33	914	5	999	475	268	256	295
2001-2002	664	0.85	566	6	828	478	219	131	320
2002-2003	387	0.91	354	9	494	319	120	55	390
2003-2004f	536	0.97	520	5	580	410	130	40	375-405
Dry Beans									
1999-2000	154	1.91	294	41	360	260	60	40	500
2000-2001	162	1.65	268	40	348	227	71	50	465
2001-2002	175	1.70	298	42	390	263	97	30	725
2002-2003	219	1.89	414	39	483	297	116	70	445
2003-2004f	167	2.13	356	35	461	300	91	70	475-505
Chick Peas									
1999-2000	139	1.42	197	5	207	56	136	15	390
2000-2001	283	1.37	388	5	408	179	199	30	410
2001-2002	467	0.97	455	12	497	147	210	140	380
2002-2003	154	1.01	156	9	305	115	130	60	300
2003-2004f	63	1.08	68	10	138	70	48	20	315-345
Mustard Seed									
1999-2000	273	1.12	306	1	357	170	72	115	285
2000-2001	208	0.97	202	1	318	151	62	105	280
2001-2002	158	0.66	105	3	213	171	9	33	685
2002-2003	255	0.60	154	9	196	120	16	60	595
2003-2004f	328	0.69	226	5	291	165	31	95	375-405
Canary Seed									
1999-2000	146	1.14	166	0	276	157	29	90	240
2000-2001	164	1.04	171	0	261	170	21	70	265
2001-2002	163	0.70	114	0	184	134	20	30	660
2002-2003	214	0.77	164	0	194	163	11	20	575
2003-2004f	243	0.91	220	0	240	170	25	45	350-380
Sunflower Seed									
1999-2000	79	1.54	122	19	145	49	55	41	295
2000-2001	69	1.72	119	18	178	77	55	46	320
2001-2002	67	1.55	104	29	179	92	65	22	355
2002-2003	95	1.65	157	21	200	105	60	35	440
2003-2004f	115	1.30	150	20	205	110	65	30	365-395
Buckwheat									
1999-2000	13	1.00	13	1	16	8	7	1	305
2000-2001	15	0.93	14	1	16	9	7	0	305
2001-2002	14	1.14	16	1	17	6	8	3	325
2002-2003	12	1.00	12	1	16	6	7	3	340
2003-2004f	9	1.11	10	1	14	6	7	1	340-370
Total Pulse And Special Crops (c)									
1999-2000	2,136	1.91	4,074	89	4,794	2,620	1,392	782	
2000-2001	2,809	1.76	4,940	82	5,804	3,484	1,568	752	
2001-2002	2,993	1.23	3,681	120	4,553	2,672	1,217	664	
2002-2003	2,386	1.16	2,776	129	3,569	1,825	1,131	613	
2003-2004f	2,732	1.34	3,674	101	4,388	2,631	1,156	601	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, December 8, 2003

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

SELECTED POINT		REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN		CANOLA MEAL	MILL- FEEDS	MEAT		FISH		ANIMAL FAT	GLUTEN		GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
									MEAL	MEAL			MEAL	MEAL	MEAL	MEAL		MEAL	MEAL				
Vancouver	(4) (7)	December 1, 2003	FOB	N/A	N/A	N/A	163.00	N/A	377.00	225.00	145.00	N/A	900.00	500.00								435.00	
BC	(4) (7)	November 24, 2003	FOB	N/A	N/A	N/A	159.00	N/A	379.00	224.00	145.00	N/A	900.00	500.00								425.50	
Calgary	(4)	December 1, 2003	FOB	140.00	N/A	133.00	155.00	365.50	379.00	N/A		65.00	950.00	535.00								375.00	
AB	(4)	November 24, 2003	FOB	140.00	N/A	133.00	155.00	379.00	N/A			65.00	950.00	535.00								375.00	
Saskatoon	(4)	December 1, 2003	FOB	135.00	133.50	115.00	174.00	347.00	235.00	354.67	235.00	75.00	N/A	535.00							181.67	425.00	
SK	(4)	November 24, 2003	FOB	135.00	131.00	114.50	174.00	354.67	235.00			75.00	N/A	535.00							180.00	425.00	
Melfort	(4)	December 1, 2003	FOB																				
SK	(4)	November 24, 2003	FOB																				
Winnipeg	(4)	December 1, 2003	FOB	145.50	130.00	125.00	129.00	331.50	895.00	490.00		290.00	895.00	490.00								411.00	
MB	(4) (9)	November 24, 2003	FOB	141.00	130.00	120.50	132.00	348.00	895.00	480.00		290.00	895.00	480.00								400.00	
Thunder Bay	(4)	December 1, 2003	In-Store	159.75	N/A	137.30																	
ON	(8)	November 24, 2003	ON	162.25	N/A	136.10																	
Lake Ports	(3)	December 1, 2003	On Board				130.20																
USA	(3)	November 24, 2003	Vessel				125.50																
Bay Ports	(3)	December 1, 2003	In-Store	194.00	215.00	N/A																	
ON	(3)	November 24, 2003	Track	193.00	215.00	N/A																	
Chatham	(3)	December 1, 2003	Track				130.01																
ON	(3)	November 24, 2003	Track				133.06																
Toronto	(5)	December 1, 2003	N/A					FOB															
ON	(5)	November 24, 2003	N/A						319.40	500.00		223.00	N/A	450.00	143.00							275.00	420.00
Hamilton	(5)	December 1, 2003	N/A						326.40	500.00		223.00	N/A	450.00	143.00							275.00	420.00
ON	(5)	November 24, 2003	N/A																				
Eastern	(5)	December 1, 2003	FOB				125.43																
ON	(5)	November 24, 2003	FOB				135.62																
London	(5)	December 1, 2003	FOB																				
ON	(5)	November 24, 2003	FOB																				
Port Colborne	(5)	December 1, 2003	FOB																				
ON	(5)	November 24, 2003	FOB																				
Cardinal	(5)	December 1, 2003	FOB																				
ON	(5)	November 24, 2003	FOB																				
Montreal	(5)	December 1, 2003	QC	N/A	N/A	N/A	N/A	FOB	372.93	241.40	136.67	223.00	850.00	375.00	143.00								
QC	(5)	November 24, 2003	QC	N/A	N/A	N/A	N/A	FOB	386.69	248.90	134.00	223.00	850.00	364.00	143.00							261.00	400.00
Trois-Rivières	(5)	December 1, 2003	In-Store	196.00	N/A	172.90	145.86															261.00	400.00
QC	(5)	November 24, 2003	QC	196.00	N/A	172.90	145.86																
St. Jean	(2)	December 1, 2003	FOB	176.01	157.68	162.44	129.06	366.27															
QC	(2)	November 24, 2003	FOB	185.83	159.56	163.84	126.80	360.93															
St. Hyacinthe	(2)	December 1, 2003	In-Store	189.00	N/A	186.98	146.09	367.99															
Quebec	(2)	November 24, 2003	QC	190.00	N/A	190.35	151.45	378.66															
QC	(2)	December 1, 2003	Track	216.06	230.00	197.94	171.10	396.39															
Truro	(2)	November 24, 2003	NS	214.26	230.00	196.24	169.21	396.39															
NS	(2)	December 1, 2003	Water	N/A	N/A	N/A	N/A	414.13															
Truro	(2)	November 24, 2003	Water & Truck	N/A	N/A	N/A	N/A	414.13															
NS	(2)	December 1, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
Halifax	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															
NS	(2)	November 24, 2003	In-Store	N/A	N/A	N/A	N/A	414.13															

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
Contact: Corinne Bruneau Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: bruneauc@agr.gc.ca
N/A = not available
US\$1.00=CAN\$1.3038, closing date November 14, 2003

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn, Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWSR (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley Cash Price WCF (9) Date 3CWSR

B. CASH PRICES AND REPLACEMENT VALUES

December 1, 2003

PRAIRIE GRAINS

Selected Points		Price Basis		This week 1-Dec-03	Last week 17-Nov-03	Month ago 3-Nov-03	Year ago 2-Dec-02
From:	Thunder Bay(WCE) (2)	In-Store	Wheat	160.00	152.00	155.00	188.50
	(CBOT)		Oat	134.50	143.50	141.50	N/A
	(Lethbridge)		Barley	136.00	135.00	130.00	186.50
To:	Bayport, ON (1)	In-store	Wheat	183.61	175.61	178.61	212.11
			Oat	N/A	N/A	N/A	N/A
			Barley	163.39	162.39	157.39	213.89
	Montreal, QC (1)	In-store	Wheat	188.03	180.03	183.03	216.53
			Oat	N/A	N/A	N/A	N/A
			Barley	168.31	167.31	162.31	218.81
	Moncton, NB	Truck via Halifax	Wheat	210.25	202.25	205.25	238.75
			Oat	N/A	N/A	N/A	N/A
			Barley	192.50	191.50	186.50	243.00
	Truro, NS	Truck via Halifax	Wheat	204.22	196.22	199.22	232.72
			Oat	N/A	N/A	N/A	N/A
			Barley	190.00	189.00	184.00	240.50
	Halifax, NS (1)	In-store	Wheat	195.28	187.28	190.28	223.78
			Oat	N/A	N/A	N/A	N/A
			Barley	176.30	175.30	170.30	226.80
	Stephenville, NL	Track / Truck via Sydney	Wheat	258.63	250.63	253.63	287.13
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
	Melfort, SK		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Bayport, ON		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Montreal, QC		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Moncton, NB		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Truro, NS		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
	Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
Selected Points		Price Basis		This week 1-Dec-03	Last week 17-Nov-03	Month ago 3-Nov-03	Year ago 2-Dec-02
From:	US Lake Port	On Board Vessel		130.20	125.50	128.46	160.38
To:	Montreal, QC (1)	In-store		149.24	144.54	147.50	179.42
From:	Chicago (Mi)	Track		130.20	126.52	126.38	154.84
To:	Montreal, QC	Track		159.06	155.38	155.24	183.70
From:	Chatham, ON	Track		133.56	132.28	141.04	166.72
To:	Montreal, QC	Track		157.43	156.08	164.84	190.52
Soymeal 48% Protein							
From:	Hamilton, ON			319.40	347.70	362.10	302.14
To:	Montreal, QC	Track		343.73	372.03	386.43	326.47
	Moncton, NB	Track		362.48	390.78	405.18	345.22
	Truro, NS	Track		365.70	394.00	408.40	348.44
	Stephenville, NL	Track / Truck via Sydney		414.33	442.63	457.03	397.07

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS
Vancouver	November 17, 2003	FOB	N/A	N/A	N/A	158.00		401.75	223.00	145.00	N/A	900.00	500.00			
BC (4) (7)	November 10, 2003		N/A	N/A	N/A	158.00		395.50	223.00	145.00	N/A	900.00	500.00			
Calgary	November 17, 2003	FOB	140.00	N/A	127.00	155.00		391.00	N/A		60.00	950.00	535.00			
AB (4)	November 10, 2003		140.00	N/A	127.00	152.00		384.50	N/A		40.00	950.00	535.00			
Saskatoon	November 17, 2003	FOB	135.00	131.00	114.50	174.00		362.67	235.00		70.00	N/A	535.00			180.00
SK (4)	November 10, 2003		136.50	139.00	110.50	174.00		358.33	235.00		50.00	N/A	535.00			175.00
Melfort	November 17, 2003	FOB														
SK	November 10, 2003															
Winnipeg	November 17, 2003	FOB	141.00	130.00	120.50	132.00		348.00	235.00		290.00	895.00	480.00			
MB (4) (9)	November 10, 2003		138.00	130.00	116.50	124.00		348.00	235.00		290.00	895.00	485.00			
Thunder Bay	November 17, 2003	In-Store	160.25	N/A	135.00											
ON (8)	November 10, 2003		156.75	N/A	131.00											
Lake Ports	November 17, 2003	On Board				125.50										
USA (3)	November 10, 2003	Vessel				124.68										
Bay Ports	November 17, 2003	In-Store	192.00	215.00	N/A											
ON	November 10, 2003		192.00	215.00	N/A											
Chatham	November 17, 2003	Track				132.28										
ON	November 10, 2003					133.06										
Toronto	November 17, 2003	N/A					FOB				223.00	N/A	450.00	500.00	143.00	
ON (5)	November 10, 2003										223.00	N/A	450.00	500.00	143.00	
Hamilton	November 17, 2003	N/A						347.70	N/A							
ON	November 10, 2003							348.20	N/A							
Eastern	November 17, 2003	FOB				125.83										
ON	November 10, 2003					128.40										
London	November 17, 2003	FOB														
ON	November 10, 2003															
Port Colborne	November 17, 2003	FOB								140.00				500.00	143.00	
ON	November 10, 2003									142.50				500.00	143.00	
Cardinal	November 17, 2003	FOB												500.00	143.00	
ON	November 10, 2003													500.00	143.00	
Montreal	November 17, 2003		N/A	N/A	N/A	N/A		396.60	257.13	142.33	223.00	850.00	353.00	500.00	143.00	
QC (5)	November 10, 2003		N/A	N/A	N/A	N/A	FOB	394.04	260.68	132.33	223.00	850.00	320.00	500.00	143.00	
Trois-Rivières	November 17, 2003	In-Store	198.00		172.90	145.86										
QC	November 10, 2003		192.50		169.60	143.79										
St. Jean QC (2)	November 17, 2003	FOB	172.72	156.59	163.84	131.05		366.83								
St. Hyacinthe QC	November 10, 2003		169.78	164.05	166.10	128.55		360.18								
Quebec	November 17, 2003	In-Store	186.83	N/A	190.35	151.32		378.66								
QC	November 10, 2003		182.83	N/A	188.61	147.70		375.21								
Truro	November 17, 2003	Track	218.16	230.00	195.24	177.02		416.34	299.22		255.77		445.00			
NS	November 10, 2003		215.26	230.00	190.69	175.75	FOB	416.34	299.22		255.77		445.00			
Truro	November 17, 2003	Water	N/A	N/A	N/A	N/A										
NS	November 10, 2003	& Truck	N/A	N/A	N/A	N/A										
Halifax	November 17, 2003	In-Store	N/A	N/A	N/A	N/A										
NS (6)	November 10, 2003		N/A	N/A	N/A	N/A										

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: Corinne Bruneau Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: bruneau@agr.gc.ca
 US\$1.00=CAN\$1.3038, closing date November 14, 2003
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.
 Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
 Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.
 (1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley Cash Price WCE (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

November 17, 2003

PRAIRIE GRAINS

Selected Points	Price Basis		This week 17-Nov-03	Last week 3-Nov-03	Month ago 20-Oct-03	Year ago 18-Nov-02
From: Thunder Bay(WCE) (2)	In-Store	Wheat	152.00	155.00	155.00	194.50
(CBOT)		Oat	143.50	141.50	135.00	N/A
(Lethbridge)		Barley	135.00	130.00	125.00	187.00
To: Bayport, ON (1)	In-store	Wheat	175.61	178.61	178.61	218.11
		Oat	N/A	N/A	N/A	N/A
		Barley	162.39	157.39	152.39	214.39
Montreal, QC (1)	In-store	Wheat	180.03	183.03	183.03	222.53
		Oat	N/A	N/A	N/A	N/A
		Barley	167.31	162.31	157.31	219.31
Moncton, NB	Truck via Halifax	Wheat	202.25	205.25	205.25	244.75
		Oat	N/A	N/A	N/A	N/A
		Barley	191.50	186.50	181.50	243.50
Truro, NS	Truck via Halifax	Wheat	196.22	199.22	199.22	238.72
		Oat	N/A	N/A	N/A	N/A
		Barley	189.00	184.00	179.00	241.00
Halifax, NS (1)	In-store	Wheat	187.28	190.28	190.28	229.78
		Oat	N/A	N/A	N/A	N/A
		Barley	175.30	170.30	165.30	227.30
Stephenville, NL	Track / Truck via Sydney	Wheat	250.63	253.63	253.63	293.13
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 17-Nov-03	Last week 3-Nov-03	Month ago 20-Oct-03	Year ago 18-Nov-02
Corn						
From: US Lake Port	On Board Vessel		125.50	128.46	110.76	165.59
To: Montreal, QC (1)	In-store		144.54	147.50	129.80	184.63
From: Chicago (Mi)	Track		126.52	126.38	110.76	157.50
To: Montreal, QC	Track		155.38	155.24	139.62	186.36
From: Chatham, ON	Track		132.28	141.04	133.46	166.13
To: Montreal, QC	Track		156.08	164.84	157.26	189.93

Soymeal 48% Protein						
From: Hamilton, ON			347.70	362.10	312.50	298.06
To: Montreal, QC	Track		372.03	386.43	336.83	322.39
Moncton, NB	Track		390.78	405.18	355.58	341.14
Truro, NS	Track		394.00	408.40	358.80	344.36
Stephenville, NL	Track / Truck via Sydney		442.63	457.03	407.43	392.99

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

Bi-weekly Bulletin

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ITALY: WHEAT AND DURUM

Italy was the third largest market for Canadian durum in 2002-2003. Italy's combined imports of Canadian wheat and durum exceed those of any other country in the European Union (EU). In 2003-2004, low durum production in the EU is expected to enable Canada to increase its wheat and durum exports to Italy to historical high. Over the medium-term, Italian wheat and durum imports from Canada are projected to remain stable as the EU fully decouples most of its farm subsidies from production beginning in 2005. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for Italy's agricultural sector and prospects for trade with Canada.

Wheat Policy

As part of the June 2003 Common Agricultural Policy (CAP) Reform, the EU announced in July 2003, that it will fully decouple most of its farm payments from production between 2005 and 2007. It will merge them into a 'single payment' linked to meeting certain environmental, food safety and animal welfare standards. It is expected that a reduction in area-based payments to EU durum producers over the next three or four years may result in a decrease in EU durum production by 2007, which could potentially create new export opportunities for Canada. In traditional growing areas such as Italy, direct support payments to producers will be reduced from €313 per hectare (CAN\$485/ha) in 2004 to €285/ha (CAN\$441/ha). The payments will also be fully decoupled from current durum production and be based on historical payments. As a result, EU producers will be able to grow crops other than durum and still receive the subsidy. At the same time, each EU country will have the option of decoupling 60% of the durum subsidy and keeping the rest tied to current production, which would likely keep the area seeded to durum similar to current levels. Also, a new durum quality program

is being introduced that will link support payments to recommended agronomic practices, such as certified seed. This is expected to increase the quality of Italian and EU durum and may reduce demand for high quality Canadian durum wheat.

In addition, the EU introduced separate annual import quotas for low and medium quality wheat at the start of 2003 to curb the imports of Black Sea wheat. Canada was given access to 38,000 tonnes (t), the US (United States) 572,000 t and all other countries have an annual 2.37 Mt. An amendment to Regulation 1375/2003 was adopted at the EU Cereals Management Committee on October 30, 2003. This opened up the quota for medium and low quality wheat from other countries to Canada and the US for the balance of 2003, permitting bids for import licenses beginning on November 20, 2003. Exporters in the US and Canada are now able to supply quantities under the other country quota, with delivery by December 31, 2003. Canada has already filled its 2003 quota, but as

of October 31, there were about 890,000 t available under the other country quota and 540,000 t under the US quota. All in-quotas carry a preferential duty of €12/t (CAN\$18/t) and the after-quota duty is €95/t (CAN\$147/t).

SITUATION

Production

Italy produces both soft wheat and durum and is largely self-sufficient. About 65% of Italy's domestic use comes from production with the remaining imported. Soft wheat production occurs predominately in the northern regions of the nation. The region of Emilia-Romagna produces the largest amount of soft wheat, accounting for 20% of the nation's total soft wheat supply. The area around

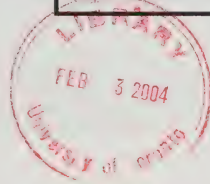
CANADA: WHEAT EXPORTS TO ITALY

August-July crop year	1999 -2000	2000 -2001	2001 -2002	2002 -2003	2003 -2004 ^f
.....thousand tonnes.....					
Wheat*	184	161	218	200	200-300
Durum	152	56	344	351	300-400

* excluding Durum

^f: forecast, AAFC, December 2003

Source: Canadian Grain Commission



Canada

this region accounts for the remainder of the total wheat production. Durum is concentrated to the greatest extent in the southern-most regions of Italy. The region of Sicilia produces the most durum in the nation, accounting for 25% of the nation's total durum production. The region of Puglia is a close second, accounting for 23% of the total durum produced. Both soft wheat and durum are planted at the same time, beginning around the first of October and finishing up around the end of November. Soft wheat is harvested around the first of July and running through the end of August. Durum is harvested a little earlier than the soft wheat, beginning around the first of June and ending around the end of July.

For 2003-2004, Italian soft wheat harvested area is estimated at 0.6 million hectares (Mha), down slightly from 2002-2003. The downward trend of soft wheat area has continued, due to both the reduced profitability of growing this crop and bad weather. For 2003-2004, soft wheat production is estimated at 2.8 million tonnes (Mt), down 0.5 Mt from last year.

For 2003-2004, Italian durum harvested area is estimated at 1.7 Mha, up marginally from 2002-2003. Seeded area was affected by overly wet conditions which delayed planting and negatively affected crop development. Average yields were also impacted by late season dryness which led to a downward revision of the earlier forecasts for production. For 2003-2004, Italian durum production is estimated at 4.0 Mt, down 7% from last year, but similar to the five year average.

Consumption

Soft wheat consumption is largely in the form of human food, followed by feed and then seed use. Soft wheats are used to make breads and rolls, while hard red spring wheat is imported to produce traditional holiday cakes as well as other bakery products. For 2003-2004, domestic use is forecast at 10.9 Mt, relatively unchanged from last year. Feed use of wheat rose in 2000-2001, as a result of the Bovine Spongiform Encephalopathy crisis in the EU and the meat and bone meal ban in feeding. Feed use is expected

to remain at 1.6 Mt for 2003-2004.

Wheat and Flour Milling

Italian flour production has been relatively unchanged over the last five years, averaging about 5.0 Mt annually. Italy's domestic consumption of bread, bakery and confectionery products remains stable, although pasta use has risen marginally. Italian exports of bread wheat flours, largely to Yemen, Libya and Cuba, have fallen slightly after reaching a high of about 1.0 Mt in 1997-1998. This is largely due to expansion and competitiveness by the domestic milling companies in these countries. The majority of Italy's domestic durum wheat supply is used to produce pasta. Over the past 10 years, pasta production increased from 2.5 Mt to 3.2 Mt. Currently, per capita pasta

consumption in Italy is about 30 kilograms (kg) per annum versus 6 kg in Canada. According to industry sources, annual pasta production for domestic use is over 1.6 Mt. Pasta production has continued to rise marginally, in line with the domestic consumption trend, and also due to the growth in the pasta export market. Italian pasta exports have risen annually over the last 10 years, from 1 Mt in 1994-1995, and are expected to exceed 1.5 Mt for the third consecutive year in 2003-2004. Pasta is exported to Germany, France and the United Kingdom (UK) as well as the US.

Italy has the largest milling industry in the EU. It is a well developed industry, with large industrial operations as well as small mills. The Association of Industrial Millers

ITALY: ALL WHEAT SUPPLY AND DISPOSITION					
<i>July-June crop year</i>	1999 -2000	2000 -2001	2001 -2002	2002 -2003	2003 -2004f
Harvested Area (Mha)	2.39	2.32	2.29	2.42	2.27
Yield (t/ha)	3.06	2.97	2.80	3.11	2.97
.....million tonnes.....					
Carry-in Stocks	0.85	0.75	0.75	0.83	0.81
Production	7.30	6.90	6.41	7.53	6.75
Imports	<u>6.22</u>	<u>6.70</u>	<u>7.60</u>	<u>6.40</u>	<u>7.20</u>
Total Supply	14.47	14.35	14.76	14.76	14.76
Exports	3.00	3.05	2.98	3.00	3.00
Feed Use	1.20	1.55	1.55	1.55	1.55
Food, Seed, Industrial Use	<u>9.52</u>	<u>9.00</u>	<u>9.40</u>	<u>9.40</u>	<u>9.40</u>
Total Use	13.72	13.60	13.93	13.95	13.95
Carry-out Stocks	0.75	0.75	0.83	0.81	0.81
ITALY: DURUM SUPPLY AND DISPOSITION					
<i>July-June crop year</i>	1999 -2000	2000 -2001	2001 -2002	2002 -2003	2003 -2004f
Harvested Area (Mha)	1.69	1.66	1.66	1.65	1.68
Yield (t/ha)	2.37	2.59	1.80	2.61	2.38
.....million tonnes.....					
Carry-in Stocks	0.50	0.40	0.30	0.30	0.30
Production	4.00	4.30	3.00	4.30	4.00
Imports	<u>1.37</u>	<u>1.55</u>	<u>2.35</u>	<u>1.70</u>	<u>1.85</u>
Total Supply	5.87	6.25	5.65	6.30	6.15
Exports	1.97	2.27	2.30	2.35	2.30
Food, Seed, Industrial Use	<u>3.50</u>	<u>3.68</u>	<u>3.55</u>	<u>3.55</u>	<u>3.55</u>
Total Use	5.47	5.95	5.85	5.90	5.85
Carry-out Stocks	0.40	0.30	0.30	0.30	0.30
f: forecast, AAFC, December 2003 Source: International Grains Council, USDA					

and Pasta Makers of Italy (ITALMOPA) estimates there are about 700 milling companies in operation throughout the country. Of the total companies, about 190 mill durum and have a total annual capacity of 7.1 Mt, wheat equivalent. The remainder are bread wheat mills with a total annual capacity of 10.7 Mt, wheat equivalent. According to ITALMOPA, about 5.0 Mt of durum is milled, and about 7.0 Mt of bread wheat. Italian millers are highly conscious of quality, both in the wheat ground and the flour produced. Traders and millers demand wheat with specific characteristics from a reliable supply source and are willing to pay premium prices. Italian wheat tends to be softer and lower in gluten and protein than Canadian wheat. As a result, when Canadian wheat is milled, the result is a strong flour characterized by elevated

insoluble protein (gluten forming) content and diminished starch content. By contrast, when Italian wheat is milled, the result is a weaker flour with elevated starch content and a diminished insoluble protein content. About 60% of domestic wheat flour is used for bread, with 20% exported and the remainder used for various domestic biscuit and confectionery products, according to ITALMOPA. Over 50% of durum milled goes into the domestic pasta market and 50% went to the export pasta market.

TRADE

Imports

Italy is a net soft wheat importer and is expected to import 5.4 Mt in 2003-2004, up 14% from last year, due to lower expected production. About 80% of Italian

soft wheat imports have come from other EU countries with France as the leading supplier, followed by Germany and the UK. For 2003-2004, the share of imports from the EU, however, is expected to fall, largely due to reduced exportable EU supplies, as a result of drought conditions. Imports from non-EU countries, the US, Russia, and Canada, are therefore expected to rise. For 2003-2004, Italian wheat imports from Canada are forecast to rise slightly from last year, to between 0.2-0.3 Mt. This largely consists of No.1 and No.2 Canada Western Red Spring wheat in the 14-15% protein range, used to improve the flour blends domestically produced.

Italy is a net durum exporter, but is forecast to import 1.9 Mt in 2003-2004, up marginally from last year due to lower

CANADA IS A RELIABLE SUPPLIER OF CONSISTENT, HIGH QUALITY WHEAT AND DURUM

Canada has an enviable international reputation as a reliable supplier of high quality wheat and durum. The attributes of Canadian wheat and durum that attract demand are reliability of supply, cleanliness, uniformity, consistency and excellent end-product quality.

The reliability of Canada as a wheat and durum supplier is ensured by the great expanse of fertile plains in western Canada where favourable soil and climatic conditions allow the production of wheat and durum. Cleanliness is ensured by cleaning all wheat grades to export tolerances at inland and terminal elevators. Uniformity within and between shipments of comparable grade is a product of Canada's grading and bulk handling systems, which smooth out location-to-location variations in quality.

Canada has a strong commitment to quality throughout its grain system. This extends to strict varietal control to protect the inherent quality of all grades of each wheat class, and to strict adherence to wheat grade standards.

Durum

Canada Western Amber Durum (CWAD) is known for its combination of hard kernels, strong gluten and high protein content. The kernels mill well to produce semolina, the raw material for making good quality pasta and couscous, while strong gluten ensures good cooking characteristics and pigment gives a bright yellow colour.

Currently, the predominant durum variety grown in Canada is Kyle, which was bred at the Agriculture Canada Research Station in Swift Current and registered in 1984. Kyle is a high yielding, good quality durum variety with resistance to preharvest sprouting, disease and weathering. For 2003-2004, Kyle accounted for 49% of the CWAD seeded area in western Canada. In an effort to even better serve Italy's demand for high quality, high gluten strength durum Canadian grain companies have acquired the rights to test, grow and sell durum developed from desert varieties. These varieties have stronger gluten levels than current Canadian varieties and may help Canada become more competitive in the Italian durum market.

Wheat

Canada Western Red Spring (CWRS) wheat is known for its excellent milling and baking qualities. As a result of its high gluten strength, it is used extensively either alone, or in blends with other wheats, for the production of a wide range of products such as hearth breads, noodles, flat breads and steam breads.

Currently, the predominant hard red spring wheat variety grown in Canada is AC Barrie, which was bred at the Agriculture Canada Research Station in Swift Current and registered in 1994.

AC Barrie is a high protein, high yielding wheat with medium straw strength and is resistant to stem rust. For 2003-2004, AC Barrie accounted for 32% of the CWRS seeded area in western Canada.

production. The largest proportion of durum imports are expected to occur from non-EU countries, including the US, Australia and Canada. Italy also imports smaller quantities of durum from France and Spain. For 2003-2004, Italian durum imports from Canada are forecast to rise from last year, to between 0.3-0.4 Mt, largely due to the combination of large supplies of Canadian durum and lower durum production in Italy and the EU. This largely consists of No.4 Canada Western Amber Durum.

Exports

For 2003-2004, Italian soft wheat exports, which have been relatively unchanged the past three years are forecast at 0.7 Mt, similar to last year. These exports are largely to other EU countries including France, Spain, and the UK.

For 2003-2004, Italian durum exports, which have stabilized in the last three years at about 2.3 Mt, are expected to continue this trend. Algeria is Italy's

GENETICALLY MODIFIED (GM) WHEAT

EU member states have up to now been allowed to fix their own tolerance threshold for GM contamination. Italy's milling industry has stated that it will not buy GM wheat because its consumers do not want it. Currently, Italy has a zero tolerance for wheat contamination with GM wheat. In September of 2003, the EU's high court ruled that Italy and other EU members can place temporary bans on GM foods if they suspect the foods pose a threat to public health or the environment.

largest customer followed by other EU countries including France and Germany.

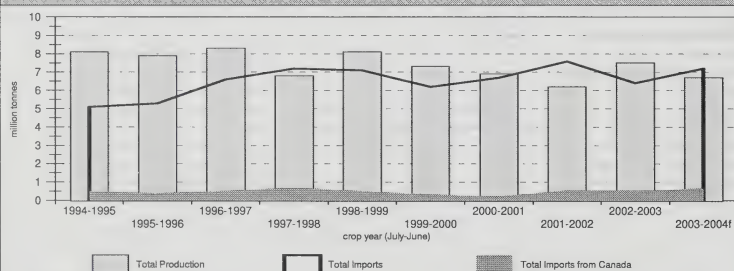
OUTLOOK

For 2004-2005, Italian seeded durum and soft wheat areas are forecast to rise marginally and moisture conditions to-date have improved from this time last year. Italian wheat production is projected to return to levels seen in 2002-2003 and, as a result, Italian imports of Canadian wheat and durum may fall, but likely to levels seen in previous years, assuming Canada has sufficient supplies to export to Italy.

In the medium-term, Italy's wheat and durum import needs will continue to be dependent on other EU countries. With the EU beginning to phase out its farm subsidy program in 2005 through to 2007, Italian durum acres and production may decline. Canadian wheat and durum exports to Italy are expected to remain stable and Canada is expected to be well positioned to continue to service this market.

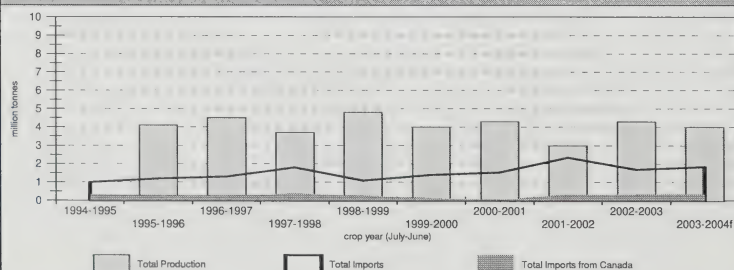
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ITALY: WHEAT PRODUCTION AND IMPORTS



F: forecast, AAFC, December 2003
 Source: IGC, USDA, CIG

ITALY: DURUM PRODUCTION AND IMPORTS



F: forecast, AAFC, December 2003
 Source: IGC, USDA, CIG

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A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS										December 15, 2003									
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	December 15, 2003	FOB		N/A	N/A	N/A	168.00		364.00	226.00	145.00	N/A	900.00	510.00					445.00
BC	(4) (7) December 8, 2003			N/A	N/A	N/A	164.00		366.00	225.00	145.00	N/A	900.00	510.00					445.00
Calgary	December 15, 2003	FOB		140.00	N/A	133.00	153.00		357.50	N/A		65.00	950.00	535.00					375.00
AB	(4) December 8, 2003			140.00	N/A	133.00	153.00		368.00	N/A		65.00	950.00	535.00					375.00
Saskatoon	December 15, 2003	FOB		136.50	134.00	113.50	174.00		340.67	235.00		75.00	N/A	535.00			180.00		425.00
SK	(4) December 8, 2003			136.50	134.00	113.50	174.00		342.33	235.00		75.00	N/A	535.00			180.83		425.00
Melfort	December 15, 2003	FOB																	
SK	December 8, 2003																		
Winnipeg	December 15, 2003	FOB		148.00	126.50	119.00	134.00		329.00	235.00		290.00	895.00	490.00					411.00
MB	(4) (9) December 8, 2003			148.00	130.00	123.00	130.00		331.50	235.00		290.00	895.00	490.00					411.00
Thunder Bay	December 15, 2003	In-Store																	
ON	December 8, 2003			159.10	N/A	136.10													
ON	(8) December 8, 2003			160.75	N/A	137.00													
Lake Ports	December 15, 2003	On Board					133.30												
USA	December 8, 2003						130.20												
Bay Ports	December 15, 2003	Vessel																	
ON	December 8, 2003	In-Store		194.00	215.00	N/A													
ON	(3) December 8, 2003			194.00	215.00	N/A													
Chatham	December 15, 2003	Track					142.71												
ON	December 8, 2003						133.06												
Toronto	December 15, 2003	N/A						FOB											
ON	(5) December 8, 2003																		
Hamilton	December 15, 2003	N/A							325.70	N/A		223.00	N/A	450.00	500.00	143.00		280.00	410.00
ON	December 8, 2003								315.70	N/A				450.00	500.00	143.00		280.00	410.00
Eastern	December 15, 2003	FOB					128.74												
ON	December 8, 2003						127.64												
London	December 15, 2003	FOB																	
ON	December 8, 2003																		
Port Colborne	December 15, 2003	FOB																	
ON	December 8, 2003																		
Cardinal	December 15, 2003	FOB																	
ON	December 8, 2003																		
Montreal	December 15, 2003			N/A	N/A	N/A	N/A		372.68	245.10	135.00	223.00	850.00	397.00	500.00	143.00		265.00	400.00
QC	(5) December 8, 2003			N/A	N/A	N/A	N/A	FOB	379.20	241.40	141.67	223.00	850.00	386.00	500.00	143.00		265.00	400.00
Trois-Rivières	December 15, 2003	In-Store		186.20	N/A	N/A	N/A												
QC	December 8, 2003			191.50		166.50	158.46												
St. Jean QC	December 15, 2003	FOB		184.56	159.62	165.06	136.18		376.89										
QC	(2) December 8, 2003			172.80	157.66	159.52	135.33		369.09										
St. Hyacinthe QC	December 15, 2003			186.47	N/A	185.30	153.87		365.14										
Quebec	December 8, 2003	In-Store		189.70	N/A	179.90	152.54		370.94										
QC	December 15, 2003	Track		217.66	230.00	193.89	178.28		400.36	279.93		255.77		465.00					400.00
Truro	December 8, 2003			210.36	230.00	186.53	171.03	FOB	396.39	275.96		255.77		465.00					400.00
NS	December 15, 2003	Water		N/A	N/A	N/A	N/A												
NS	December 8, 2003	& Truck		N/A	N/A	N/A	N/A												
Halifax	December 15, 2003	In-Store		N/A	N/A	N/A	N/A												
NS	(6) December 8, 2003			N/A	N/A	N/A	N/A												
									297.50					1,050.00	270.00				
									297.50					1,050.00	270.00				

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: Corinne Bruneau Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: bruneauc@agr.gc.ca
 US\$1.00=CAN\$1.3150, closing date December 12, 2003
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.
 Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
 Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley Cash Price WCE (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

December 15, 2003

PRAIRIE GRAINS

Selected Points	Price Basis		This week 15-Dec-03	Last week 1-Dec-03	Month ago 17-Nov-03	Year ago 16-Dec-02
From: Thunder Bay(WCE) (2)	In-Store	Wheat	160.00	160.00	152.00	202.30
(CBOT)		Oat	144.50	134.50	143.50	N/A
(Lethbridge)		Barley	131.00	136.00	135.00	184.00
To: Bayport, ON (1)	In-store	Wheat	183.61	183.61	175.61	225.91
		Oat	N/A	N/A	N/A	N/A
		Barley	158.39	163.39	162.39	211.39
Montreal, QC (1)	In-store	Wheat	188.03	188.03	180.03	230.33
		Oat	N/A	N/A	N/A	N/A
		Barley	163.31	168.31	167.31	216.31
Moncton, NB	Truck via Halifax	Wheat	210.25	210.25	202.25	252.55
		Oat	N/A	N/A	N/A	N/A
		Barley	187.50	192.50	191.50	240.50
Truro, NS	Truck via Halifax	Wheat	204.22	204.22	196.22	246.52
		Oat	N/A	N/A	N/A	N/A
		Barley	185.00	190.00	189.00	238.00
Halifax, NS (1)	In-store	Wheat	195.28	195.28	187.28	237.58
		Oat	N/A	N/A	N/A	N/A
		Barley	171.30	176.30	175.30	224.30
Stephenville, NL	Track / Truck via Sydney	Wheat	258.63	258.63	250.63	300.93
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 1-Dec-03	Last week 17-Nov-03	Month ago 3-Nov-03	Year ago 16-Dec-02
Corn						
From: US Lake Port	On Board Vessel		133.30	125.50	128.46	159.08
To: Montreal, QC (1)	In-store		152.34	144.54	147.50	178.12
From: Chicago (Mi)	Track		135.38	126.52	126.38	153.55
To: Montreal, QC	Track		164.24	155.38	155.24	182.41
From: Chatham, ON	Track		142.71	132.28	141.04	166.53
To: Montreal, QC	Track		166.58	156.08	164.84	190.33

Soymeal 48% Protein

From: Hamilton, ON			325.70	347.70	362.10	296.00
To: Montreal, QC	Track		350.03	372.03	386.43	321.29
Moncton, NB	Track		368.78	390.78	405.18	340.04
Truro, NS	Track		372.00	394.00	408.40	343.26
Stephenville, NL	Track / Truck via Sydney		420.63	442.63	457.03	391.89

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

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** Includes **Canada: Pulses and Special Crops Outlook**

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The Market Analysis Division provides timely market information, analysis and forecasting of supply, demand, trade and prices for the domestic and international grains, oilseeds, pulse and special crops sectors to industry and governments.

The Division is responsible for the following; recommendations of initial and adjustment payments for the Canadian Wheat Board (CWB) under the CWB Act and other organizations under the Agricultural Marketing Programs Act (AMPA); recommendations of advance payments for the Spring Credit Advance Program and fall advance payment program under AMPA for the CWB and other organizations; price forecasts for crop insurance programs in consultation with the provinces; forecasts of price and marketing for grains, oilseeds and pulse and special crops for farm income, price forecasts for interim payout, and determination of final market prices, and calculation of Indexed Moving Average Price for the Ontario Market Revenue Insurance Plan in consultation with the Ontario Ministry of Agriculture, Food and Rural Affairs.

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Bi-weekly Bulletin

January 14, 2004 Volume 17 Number 1

CHINA: OILSEEDS SITUATION AND OUTLOOK

The demand for protein meal and vegetable oil in China continues to rise due to the growth in personal income, a strong economy and a growing population. Increased demand for poultry, beef and pork is driving the consumption of meal, which in turn is increasing the demand for soybean imports. Prices for major oilseeds and products are expected to rise by about 30% during 2003-2004, despite record world soybean production. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for oilseeds in China.

Agricultural Production

China is predominantly an agricultural based society. Approximately 50% of China's workforce is employed in the agricultural sector. Virtually all arable land is used for food crops and China is among the world's largest producers of rice, potatoes, sorghum, millet, barley, peanuts, rapeseed, tea and pork. Major non-food crops include cotton and other fibres.

China maintains its high level of food production by double- and triple-cropping and applying large quantities of fertilizer and labour to its limited land base. While field crop yields are high, China hopes to further increase agricultural yields through improved plant stocks, fertilizer use and technology.

Approximately 40% of China's land is irrigated, compared to a world average of 18%. Unfortunately, many of the irrigation systems in place are not very efficient and result in wasted water. As well, water supplies are dwindling and there is increasing competition for available water from industry and personal consumption. Water is one of the biggest constraints to increasing

agricultural production, particularly given the uneven distribution of water between the north, which is drought prone and the south, which is under constant threat of flood.

China's farms are small, with an average size of 1 hectare, and mostly cultivated by households. Farmers do not own, and cannot buy or sell land. Instead, farmland

is owned collectively by villages.

The 1998 Land Management Law increased tenure security by providing land use rights for 30 years, and restricting land relocation to small adjustments in isolated cases only. As well, an increasing number of villages now extend full rental rights. Increased land security encourages investment in



CHINA: A GROWING ECONOMY

	China	World
Total GDP (US\$-trillions)	1.2	32.3
GDP per capita (US\$)	923	520
GDP growth-2003 (%)	7.5	1.7
Population (billions)	1.3	6.2
Population growth (%)	0.8	1.2
Land area (km ² -millions)	9.3	133.9
Arable area (km ² -millions)	1.4	14.0
Total Agricultural Imports	21.9	582.5
Total Agricultural Exports	18.8	582.5

2002 data unless otherwise specified

Source: The World Bank Group, except * FAO and ** WTO

inputs such as fertilizer and in turn, increases productivity. In December 2003, China's Communist Party's Central Committee submitted a proposal to the National People's Congress to change the constitution to guarantee the right to private property. This would allow farmers to use the land as collateral for bank loans and to transfer land rights, allowing for the creation of larger, more effective farms.

While only 15% of China's land is arable, China is considered to be self sufficient in food production. Agricultural production differs amongst the regions, with soybeans and corn produced in the northeast; wheat, fruit, corn and cotton in the north; rice and fruit on the south coast; rice, rapeseed and meat in the south central region; and, cotton in the west.

Agricultural Policy

China's accession to the World Trade Organization (WTO) in December of 2001 was an important step for the country in its transformation from a centrally-planned economy to a market-focussed and globally-driven economy. In accordance with China's membership in the WTO, the country will lower tariffs, weaken state trading monopolies, increase the openness of import license and quota allocation, and require publication of trade regulations. These commitments will likely reduce the role of

government policies and increase the role of market forces in shaping China's agricultural trade.

China is also changing from a largely rural, low technology country into an urbanized, market and consumer-driven economy. As China is the world's

largest producer and consumer of agricultural and agri-food products, any changes to China's agricultural and food policies have a profound impact on the world's supply and demand situation.

China continues to be a largely rural country with 63% of the population living in rural areas. Government policies which restricted rural to urban migration in the past have now been relaxed. In general, urban households enjoy a larger income and consume greater quantities of meat, eggs, poultry, milk, fruits and vegetables, and processed foods, while they consume less grains than their rural counterparts. Increased urban migration will lead to further growth in demand for these goods.

Biotechnology Policy

China was a strong proponent for agricultural biotechnology development throughout the 1990s. Taking a more precautionary stance, China's State Council introduced new legislation in May 2001, titled Regulation on Safety Administration of Agricultural Genetically

Modified Organisms (GMOs). The regulation stated that China would require safety certification of all domestic and imported GMOs, and labelling of GMOs and processed products containing GMO materials. In early 2002, the Chinese Ministry of Agriculture issued three detailed regulations that addressed the details for bio-safety management, trade and labelling of GMO products. Essentially, the new regulation requires importers and exporters to apply for official safety verification approval from China's Ministry of Agriculture.

Due to the complexity of the changes, China has extended the imposition of new rules governing the import of GMO products until April 20, 2004. Under China's interim GMO rules, domestic importers and foreign suppliers have to apply for GMO safety certificates and labelling permits from the Chinese Ministry of Agriculture, as well as quarantine permits from Administration of Quality Supervision, Inspection & Quarantine before contracts can be signed and cargoes unloaded. Currently the safety certificates are based on field trials performed in the exporting country, but field trials are underway in China and will have to be completed before the new regulations can take effect.

Import Tariffs

China imposes tariffs on most imports, primarily ad valorem. Oilseeds and vegetable oils are subjected to a 13% value added tax (VAT), while vegetable meals are assessed with a 17% VAT. In 1995, China lifted the VAT on soybean

CHINA: VEGETABLE OILS IN-QUOTA LIMITS

	2002	2003	2004	2005	2006
	.....thousand tonnes.....				
Canola Oil	879	1,018	1,126	1,243	unlimited
Soybean Oil	2,518	2,818	3,118	3,587	unlimited
Palm Oil	2,400	2,600	2,700	3,168	unlimited

Source: WTO, October 2003

meal, resulting in an increase of meal imports, decreased crushing and increased smuggled oil. The VAT was re-imposed in July 1999 and since then there has been an increase in imported soybeans and a decrease in imported products.

Oilseeds and their products also carry an import tariff. Currently, canola and canola meal tariffs, at 9% and 16%, are much higher than the tariffs for soybeans and soybean meal, which are 3% and 9% respectively. The tariffs on vegetable oils, which were prohibitive prior to China's WTO accession, have been negotiated through the use of a Tariff Rate Quota (TRQ).

China's WTO commitments included TRQs for oils, including soybean, rapeseed and palm oil, which it implemented in 2002-2003. An increasing amount of vegetable oil will be imported annually at a preferential in-

quota tariff of 9%, while out-of-quota imports face a tariff of 41.6%. The TRQ system will be terminated on January 1, 2006 and, at that time, the tariff on all vegetable oil will be reduced to 9%.

In addition to the TRQ on vegetable oil, China has set trading limits for State Trading Enterprises as a means to encourage a more open and competitive trading environment. Limits were set at 42% for 2002, decreasing to 10% by 2005 for canola oil, soybean oil and palm oil.

SITUATION: 2003-2004

Oilseeds

China is the third largest oilseeds producer in the world, following the United States (US) and Brazil. It is the world's largest producer of rapeseed, cottonseed and peanuts, while it is the fourth-largest producer of soybeans.

Total production of oilseeds (soybeans, rapeseed, peanuts, cottonseed and sunflowerseed) has risen 26% over the past 10 years to reach 53.42 million tonnes (Mt) in 2003-2004. For 2003-2004, production increased 2% over 2002-2003, despite late season rains that negatively impacted some yields, most notably for cottonseed.

In general, production of oilseeds has not kept pace with the growing demand for vegetable oils and protein meals. Imports of soybeans have increased exponentially over the past 10 years, from 155,000 tonnes (t) in

1994-1995 to an expected 22.0 Mt in 2003-2004. China was more or less self-sufficient in soybean production until 1996-1997, when imports began in earnest. For rapeseed/canola, imports were strong between 1998-1999 and 2000-2001, but have since fallen to an expected 550,000 t in 2003-2004.

Chinese oilseed crush has expanded 142% over the past 10 years, with strong growth noted for soybeans, rapeseed/canola and peanuts. In the past five years, almost all of the growth in oilseed crushing has been due to increased crush of imported soybeans. For 2003-2004, China expects to crush 56.8 Mt of oilseeds, a 9% increase over last year.

China has become one of the world's leading crushers of soybeans. Between 1991-1992 and 2003-2004, China's share of world soybean crush capacity increased from 3.7% to 15.5%, surpassing that of the European Union, and Argentina. Historically, small crushing plants were located in the northeast, close to where domestic soybeans were produced, but since the early 1990s, large, modern facilities have been established. Today there are three major regional groupings of oilseed processors. The crushers in northern China process domestically produced soybeans and peanuts; the crushers in the Yangtze Valley, located in south central China, process rapeseed/canola; and, the crushers on the south coast process imported soybeans.

Vegetable Oil

For 2003-2004, total vegetable oil production is expected to reach 12.8 Mt, a 9% increase over last year. The main oils produced in China are soybean oil, rapeseed/canola oil and peanut oil. While the production of soybean oil has doubled over the past five years, the production of rapeseed/canola oil has fallen slightly and

CHINA: OILSEEDS SUPPLY AND DISPOSITION

	2001 -2002	2002 -2003p	2003 -2004f
	.....million tonnes.....		
Production			
Cottonseed	9.56	8.85	8.62
Peanuts	14.42	14.90	15.10
Rapeseed/Canola	11.33	10.55	11.60
Soybeans	15.41	16.51	16.20
Sunflowerseed	<u>1.48</u>	<u>1.86</u>	<u>1.90</u>
Total	52.20	52.67	53.42
Imports			
Soybeans	10.39	21.42	22.00
Rapeseed/Canola	<u>0.78</u>	<u>0.15</u>	<u>0.65</u>
Total	11.17	21.57	22.65
Crush			
Cottonseed	7.65	6.95	6.85
Peanuts	6.80	7.15	7.25
Rapeseed/Canola	11.41	10.02	11.60
Soybeans	20.40	26.99	30.25
Sunflowerseed	<u>0.65</u>	<u>0.79</u>	<u>0.80</u>
Total	46.91	51.90	56.75

p: preliminary, USDA, January 2004

f: forecast, USDA, January 2004

Source: USDA

the production of peanut oil has remained stable. Smaller amounts of cottonseed oil and sunflowerseed oil are also produced.

Aggregate vegetable oil consumption has risen 85% over the last 10 years, and is expected to reach 17.8 Mt in 2003-2004. A strong economy and rising disposable incomes has led to a significant change in diets. Per capita consumption of vegetable oils in 2003-2004 is forecast at 17.6 kilograms (kg), compared to only 9.6 kg in 1994-1995. Most of this growth in consumption has been in soybean and palm oil, as the consumption of rapeseed/canola oil, peanut oil and other oils has stayed steady.

The potential for future increases in per capita vegetable oil consumption remains strong, as China still lags behind other Asian nations. In 2002, per capita vegetable oil consumption reached 40.8 kg in Hong Kong and 34.9 kg in Taiwan, compared to 15.9 kg in China.

Despite significant investment and tremendous growth in the processing sector, imports have doubled over the past three years to reach 4.9 Mt in 2003-2004. Imports of palm oil have grown substantially over the past five years and are forecast at 3.1 Mt in 2003-2004. Soybean oil imports have also reached a record high. Minimal amounts of rapeseed/canola oil are also imported.

Protein Meal

Remarkable oil meal consumption growth has been achieved through a combination of a change in diets, to include more meat, and a gradual industrialization of feed and livestock production. While the majority of pork and poultry continues to be raised on small-scale farms, there are a growing number of larger operations that rely on commercial feeds with a much higher protein inclusion rate. Meal consumption has increased 135% over the last ten years, to reach 37.4 Mt in 2003-2004. During this same time period, soybean

meal consumption has grown 296% and now accounts for 61% of consumption.

China is self sufficient in protein meal production, and only imports limited amounts of soybean meal and fish meal. Exports of soybean meal to neighbouring countries reached about 1 Mt in 2001-2002, but have since fallen.

Prices

Chinese demand for soybeans and a smaller than expected US crop have provided upward support for the complete oilseed complex especially in 2003-2004. Since August 2003, prices for No. 1 Yellow soybeans on the Chicago Board of Trade have surged from US\$5.38 per bushel (/bu) to a high of US\$7.95/bu in early January 2004. During this same time frame, Chicago futures prices for soybean meal rose from US\$168.80 per short ton (/st) to US\$241.80/st, and the soybean oil futures contract price rose from US\$19.77 per pound (/lb) to US\$28.04/lb. To date the cumulative

CHINA: VEGETABLE OIL

	2001 -2002	2002 -2003p	2003 -2004f
.....million tonnes.....			
Production			
Soybeans	3.58	4.73	5.30
Rapeseed/Canola	4.18	3.54	4.03
Peanuts	2.15	2.25	2.29
Cottonseed	1.12	1.01	0.99
Sunflowerseed	<u>0.15</u>	<u>0.19</u>	<u>0.19</u>
Total	11.18	11.72	12.80
Imports			
Palm	2.02	3.10	3.10
Soybeans	0.37	1.71	1.75
Rapeseed/Canola	<u>0.05</u>	<u>0.06</u>	<u>0.04</u>
Total	2.44	4.87	4.89
Consumption			
Soybeans	3.96	6.35	6.79
Rapeseed/Canola	4.20	3.57	4.07
Palm	2.02	3.10	3.10
Peanuts	2.14	2.24	2.28
Other	<u>1.65</u>	<u>1.62</u>	<u>1.60</u>
Total	13.97	16.88	17.84

p: preliminary, USDA, January 2004

f: forecast, USDA, January 2004

Source: USDA

CHINA: PROTEIN MEAL

	2001 -2002	2002 -2003p	2003 -2004f
.....million tonnes.....			
Production			
Soybeans	16.30	21.50	24.05
Rapeseed/Canola	7.19	6.35	7.33
Other	<u>6.38</u>	<u>6.28</u>	<u>6.29</u>
Total	29.87	34.13	37.67
Imports			
Soybeans	0.02	0.03	0.20
Fish	<u>0.96</u>	<u>0.82</u>	<u>0.98</u>
Total	0.98	1.15	1.18
Consumption			
Soybeans	15.27	20.64	22.68
Rapeseed/Canola	6.98	6.15	7.06
Other	<u>7.62</u>	<u>7.51</u>	<u>7.69</u>
Total	29.87	34.30	37.43
Exports			
Soybeans	1.05	0.76	0.80

p: preliminary, USDA, January 2004

f: forecast, USDA, January 2004

Source: USDA

average for 2003-2004 is US\$7.23/bu versus the final average for 2002-2003 of US\$5.81/bu.

Landed prices in China have increased even more dramatically due to increased freight rates.

OUTLOOK

For 2004-2005, Chinese imports of oilseeds are projected to increase slightly due to a favourable economic forecast,

CANADA/CHINA TRADE

Canada/China partnerships in trade, development, education and culture have grown enormously since the establishment of diplomatic relations in 1970. Canada supported China's accession to the WTO and a Canada-China Bilateral Agreement was signed in November 1999. This agreement called for reduced tariffs on Canadian exports to China with priority given to telecommunications equipment, aircraft, canola oil and paper products.

China is Canada's second largest source of imports. In 2002, Canada imported \$16 billion (G) worth of merchandise from China. Canada's main imports included electrical machinery, mechanical appliances, toys, furniture and clothing. Agricultural imports totalled \$287 million (M) and included mainly mandarins and seafood.

In 2002, Canada's merchandise exports to China were valued at \$4.2G, making China Canada's fourth largest export market, only slightly behind the United Kingdom. Canada's main exports to China were wood pulp, fertilizers, organic chemicals, aircraft and electrical machinery. Agricultural exports, at \$284M were down substantially from \$841M in 2001, because of the drought in western Canada that reduced exportable supplies. Major agricultural exports in 2002 included wheat, animal fat, barley, hides and dried peas. While absent from the top five exports in 2002, canola is typically the largest agricultural export. In 2002, oilseeds accounted for 13% of Canada's agricultural exports, compared to 48% in 2001 and 2000 and 66% in 1999.

Historically China's imports have been highly variable and this is very true for canola. Canada's exports of canola have averaged 550,000 t over the last 10 years, but have ranged from zero in both 1996-1997 and 2002-2003 to 1.9 Mt in 2000-2001. For 2003-2004, Chinese imports of canola are forecast at 550,000 t, almost three times the amount imported last year. Of this, Canada expects to supply 400,000 t. China's imports of canola fell sharply in 2001, in response to local production, ambiguous GMO policy requirements and local policy initiatives.

Canada currently does not export any canola meal to China, as China does not import any. Canola meal and rapeseed meal are not substitute products. Because of the high levels of glucosinolates in the meal, rapeseed meal can only be fed in small portions to cattle and is considered a poor animal feed. Canola meal, however, is a good substitute for soybean meal in animal rations. Chinese growers can now produce double low-erucic acid rapeseed, which shares canola's characteristics, and growers and processors are realizing the benefits of growing this crop.

Canada also exports small amounts of canola oil, soybeans, and flaxseed.

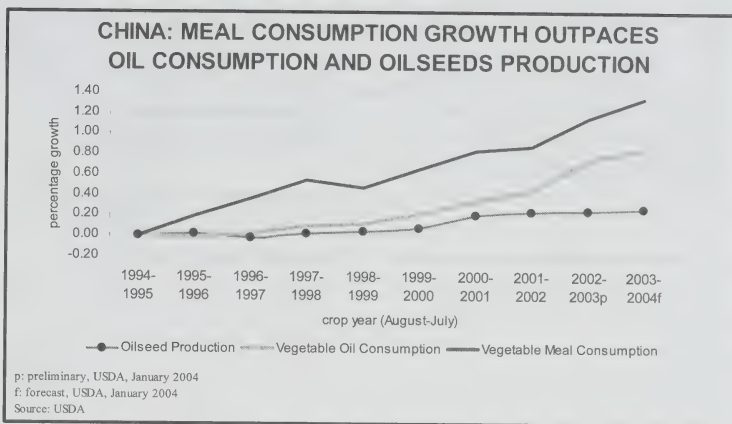
CANADA: EXPORTS TO CHINA					
	1999 -2000	2000 -2001	2001 -2002	2002 -2003p	2003 -2004f
	.....tonnes.....				
Canola*	1,211,100	1,889,600	192,500	-	400,000
Canola Oil	44,850	17,191	7,207	20,285	150,000
Soybeans	35,402	1,813	2,910	2,702	n/a
Flaxseed	-	-	-	5,428	n/a
n/a: not available					
p: preliminary					
f: forecast, AAFC, January 2004					
Source: Statistics Canada except * which is Canadian Grain Commission, January 2004					

and the resulting increase in consumption of meats and edible oils. Ongoing investment in the domestic oilseed processing sector, along with government policy that favours importing oilseeds versus oilseed products, will encourage further growth in oilseed imports.

For the next couple of years, however, Chinese imports will be constrained by the availability of ocean freight. China's large demand for commodities, both agricultural and otherwise, is a leading cause of the current increase in freight rates. With fleet utilization at about 96 - 98% and only limited increases in new vessels expected over the next two to three years, further increases in freight rates are expected to ration demand.

Over the medium-term, China's demand for oilseeds is expected to continue to grow. In its Agricultural Outlook to 2012-2013, the Food and Agricultural Policy Research Institute (FAPRI) at the University of Missouri foresees stable production and increased demand for China. Per capita vegetable oil consumption is expected to increase by more than 25% over this ten year period.

For soybeans, FAPRI expects that China's production will stay steady at about 16.5 Mt, as a reduction in area harvested is expected to be offset with an increase in yields. Strong domestic demand will result in continued growth in imports. To date, actual growth in China's soybean imports has outpaced published expectations. By starting with China's actual soybean imports of 21.4 Mt in 2002-2003 and applying FAPRI's implied 6.6% annual growth rate, China's imports of soybeans could rise to 40 Mt by 2012-2013. Over this period, it is also expected that China will increase its exports of soybean meal and decrease



its imports of soybean oil.

For rapeseed/canola, Chinese production is forecast by FAPRI to remain similar to 2003-2004 over the next ten years. However, domestic use is also expected to increase by about 2% per year requiring imports of about 2.5 Mt, versus 0.7 Mt for 2003-2004. Rapeseed oil imports are expected to increase to about 300,000 t in 2008-2009, after which they will begin to fall due to expansion of domestic crushing. For rapeseed meal, China is expected to switch from being a minor net exporter to a major net importer over the next five years.

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B. CASH PRICES AND REPLACEMENT VALUES

January 12, 2004

PRAIRIE GRAINS

Selected Points	Price Basis		This week 12-Jan-04	Last week 29-Dec-03	Month ago 15-Dec-03	Year ago 12-Jan-03
From: Thunder Bay(WCE) (2)	In-Store	Wheat	161.00	159.80	160.00	200.10
(CBOT)		Oat	155.00	143.50	144.50	N/A
(Lethbridge)		Barley	129.00	130.00	131.00	176.70
To: Bayport, ON (1)	In-store	Wheat	184.61	183.41	183.61	223.71
		Oat	N/A	N/A	N/A	N/A
		Barley	156.39	157.39	158.39	204.09
Montreal, QC (1)	In-store	Wheat	189.03	187.83	188.03	228.13
		Oat	N/A	N/A	N/A	N/A
		Barley	161.31	162.31	163.31	209.01
Moncton, NB	Truck via Halifax	Wheat	211.25	210.05	210.25	250.35
		Oat	N/A	N/A	N/A	N/A
		Barley	185.50	186.50	187.50	233.20
Truro, NS	Truck via Halifax	Wheat	205.22	204.02	204.22	244.32
		Oat	N/A	N/A	N/A	N/A
		Barley	183.00	184.00	185.00	230.70
Halifax, NS (1)	In-store	Wheat	196.28	195.08	195.28	235.38
		Oat	N/A	N/A	N/A	N/A
		Barley	169.30	170.30	171.30	217.00
Stephenville, NL	Track / Truck via Sydney	Wheat	259.63	258.43	258.63	298.73
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 12-Jan-04	Last week 29-Dec-03	Month ago 15-Dec-03	Year ago 13-Jan-03
Corn						
From: US Lake Port	On Board Vessel		126.41	131.15	134.09	154.23
To: Montreal, QC (1)	In-store		145.45	150.19	153.13	173.27
From: Chicago (Mi)	Track		128.91	133.69	136.73	150.57
To: Montreal, QC	Track		157.77	162.55	165.59	179.43
From: Chatham, ON	Track		139.25	136.11	140.15	164.46
To: Montreal, QC	Track		163.12	159.98	164.02	188.26

Soymeal 48% Protein

From: Hamilton, ON			319.30	336.70	322.10	299.72
To: Montreal, QC	Track		343.63	361.03	346.43	324.05
Moncton, NB	Track		362.38	379.78	365.18	342.80
Truro, NS	Track		365.60	383.00	368.40	346.02
Stephenville, NL	Track / Truck via Sydney		414.23	431.63	417.03	394.65

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

December 29, 2003

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	December 29, 2003	FOB	N/A	N/A	N/A	169.00		395.00	260.00	150.00	N/A	900.00	510.00					450.00
BC (4) (7)	December 29, 2003	FOB	N/A	N/A	N/A	189.00		361.50	229.00	145.00	N/A	900.00	510.00					450.00
Calgary	December 22, 2003	FOB	137.00	N/A	130.00	156.00		356.00	N/A		65.00	950.00	535.00					375.00
AB (4)	December 22, 2003	FOB	140.00	N/A	133.00	156.00		345.67	235.00		65.00	950.00	535.00					375.00
Saskatoon	December 29, 2003	FOB	136.50	132.50	114.00	174.00		342.00	235.00		75.00	N/A	535.00			180.33		425.00
SK (4)	December 22, 2003	FOB	136.50	134.00	113.50	174.00										180.00		425.00
Melfort	December 29, 2003																	
SK	December 22, 2003																	
Winnipeg	December 29, 2003	FOB	148.00	126.50	119.00	138.00		328.00	235.00		290.00	895.00	490.00					411.00
MB (4) (9)	December 22, 2003		148.00	126.50	119.00	136.00		328.00	235.00		290.00	895.00	490.00					411.00
Thunder Bay	December 29, 2003	In-Store	157.05	N/A	130.00													
ON (8)	December 22, 2003		158.90	N/A	132.00													
Lake Ports	December 29, 2003	On Board				126.29												
USA (3)	December 22, 2003	Vessel				134.09												
Bay Ports	December 29, 2003	In-Store	194.00	215.00	N/A													
ON	December 22, 2003	Track	194.00	215.00	N/A													
Chatham	December 29, 2003					135.43												
ON	December 22, 2003					140.15												
Toronto	December 29, 2003	N/A					FOB				223.00	N/A	450.00	530.00	158.00			415.00
ON (5)	December 22, 2003							341.70	N/A		223.00	N/A	450.00	530.00	158.00			415.00
Hamilton	December 29, 2003	N/A						322.10	N/A									
ON	December 22, 2003																	
Eastern	December 29, 2003	FOB				130.09												
ON	December 22, 2003					132.30												
London	December 29, 2003	FOB																
ON	December 22, 2003																	
Port Colborne	December 29, 2003	FOB																
ON	December 22, 2003																	
Cardinal	December 29, 2003	FOB																
ON	December 22, 2003																	
Montreal	December 29, 2003		N/A	N/A	N/A	N/A		380.04	262.03	135.00	223.00	850.00	419.00	530.00	158.00			410.00
QC (5)	December 22, 2003	In-Store	187.30	N/A	N/A	151.47	FOB	369.49	243.13	141.67	223.00	850.00	419.00	530.00	158.00			410.00
Trois-Rivières	December 29, 2003		190.80		164.50	159.15												
QC	December 22, 2003		183.80	159.21	164.09	132.68		380.51										
St. Jean QC (2)	December 29, 2003	FOB	182.93	156.60	161.94	135.04		376.00										
St. Hyacinthe QC	December 22, 2003	In-Store	184.03	N/A	183.05	151.26		378.59										
Quebec	December 29, 2003		187.20	N/A	185.30	150.98		357.82										
QC	December 22, 2003	Track	217.31	230.00	194.14	177.21	FOB	400.36	279.93		255.77		465.00					410.00
Truro	December 29, 2003		217.31	230.00	194.14	177.21		400.36	279.93		255.77		465.00					410.00
NS	December 22, 2003	Water	N/A	N/A	N/A	N/A												
Truro	December 29, 2003	Water	N/A	N/A	N/A	N/A												
NS	December 22, 2003	& Truck	N/A	N/A	N/A	N/A												
Halifax	December 29, 2003	In-Store	N/A	N/A	N/A	N/A				297.50		1,050.00	270.00					
NS (6)	December 22, 2003		N/A	N/A	N/A	N/A				297.50		1,050.00	270.00					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
Contact: Corinne Bruneau Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: bruneau@agr.gc.ca
US\$1.00=CAN\$1.3107, closing date December 24, 2003
N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents
Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRs (2) Canadian Corn #3 or #2. (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley Cash Price WCE (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

December 29, 2003

PRAIRIE GRAINS

Selected Points	Price Basis		This week 29-Dec-03	Last week 15-Dec-03	Month ago 1-Dec-03	Year ago 30-Dec-02
From: Thunder Bay(WCE) (2)	In-Store	Wheat	159.80	160.00	160.00	201.60
(CBOT)		Oat	143.50	144.50	134.50	N/A
(Lethbridge)		Barley	130.00	131.00	136.00	178.00
To: Bayport, ON (1)	In-store	Wheat	183.41	183.61	183.61	225.21
		Oat	N/A	N/A	N/A	N/A
		Barley	157.39	158.39	163.39	205.39
Montreal, QC (1)	In-store	Wheat	187.83	188.03	188.03	229.63
		Oat	N/A	N/A	N/A	N/A
		Barley	162.31	163.31	168.31	210.31
Moncton, NB	Truck via Halifax	Wheat	210.05	210.25	210.25	251.85
		Oat	N/A	N/A	N/A	N/A
		Barley	186.50	187.50	192.50	234.50
Truro, NS	Truck via Halifax	Wheat	204.02	204.22	204.22	245.82
		Oat	N/A	N/A	N/A	N/A
		Barley	184.00	185.00	190.00	232.00
Halifax, NS (1)	In-store	Wheat	195.08	195.28	195.28	236.88
		Oat	N/A	N/A	N/A	N/A
		Barley	170.30	171.30	176.30	218.30
Stephenville, NL	Track / Truck via Sydney	Wheat	258.43	258.63	258.63	300.23
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 29-Dec-03	Last week 15-Dec-03	Month ago 1-Dec-03	Year ago 30-Dec-02
Corn						
From: US Lake Port	On Board Vessel		126.29	134.09	125.50	159.15
To: Montreal, QC (1)	In-store		145.33	153.13	144.54	178.19
From: Chicago (Mi)	Track		128.87	136.73	126.52	154.21
To: Montreal, QC	Track		157.73	165.59	155.38	183.07
From: Chatham, ON	Track		135.43	140.15	132.28	166.43
To: Montreal, QC	Track		159.30	164.02	156.08	190.23

Soymeal 48% Protein

From: Hamilton, ON			341.70	322.10	347.70	306.33
To: Montreal, QC	Track		366.03	346.43	372.03	330.66
Moncton, NB	Track		384.78	365.18	390.78	349.41
Truro, NS	Track		388.00	368.40	394.00	352.63
Stephenville, NL	Track / Truck via Sydney		436.63	417.03	442.63	401.26

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



Bi-weekly Bulletin

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WORLD AND CANADIAN OUTLOOK FOR GRAINS AND OILSEEDS IN 2004-2005

World wheat prices are expected to decrease in 2004-2005, assuming a return to normal growing conditions and higher production in the European Union (EU), Eastern Europe and the Former Soviet Union (FSU), and normal growing conditions in the other major wheat producing regions of the world. World coarse grain and oilseed prices are also expected to decrease, largely due to increased supplies in the United States (US). For most of the major crops, domestic support programs in the US and the EU are expected to continue to encourage high production which will also pressure prices.

In western Canada, area seeded to spring wheat, coarse grains and summerfallow is expected to decrease while the area in durum wheat and oilseeds is forecast to increase, due to the relatively higher prices expected for 2004-2005. In eastern Canada, the area of wheat is expected to decline sharply, while the areas of corn, and to a lesser extent, soybeans, are expected to increase. Total Canadian production of grains and oilseeds is expected to increase from about 60 million tonnes (Mt) to 63 Mt, largely due to higher expected yields in western Canada. Total exports of grains and oilseeds are projected to rise marginally in 2004-2005 and imports, dominated by US corn, are forecast to decrease slightly. Prices for grains and oilseeds are expected to decrease, partly due to appreciation of the Canadian dollar relative to the US dollar. It has been assumed that the trade disruptions affecting the cattle and beef sector, related to the bovine spongiform encephalopathy (BSE) cases in Alberta and the US, will not have a major impact on feed use in 2004-2005.

The market outlook is very tentative since there is a high degree of uncertainty regarding global supply and demand conditions. Normal weather patterns have been assumed. World, and Canadian, stocks of wheat and coarse grains are low, and serious weather problems in any of the major importing or exporting countries could significantly alter the outlook. Ocean freight rates will also be a major factor to watch in 2004-2005. In Canada, due to low subsoil moisture conditions in much of the Prairie Provinces, and low carry-in stocks, precipitation patterns will be a major consideration.

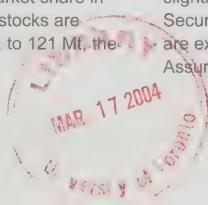
WHEAT

World wheat (including durum) area harvested for 2004-2005 is forecast by Agriculture and Agri-Food Canada (AAFC) to increase by about 4% to 216 million hectares (Mha), slightly above the 5-year average, largely due to higher area in Russia and Ukraine. Assuming normal growing conditions and average yields, production is forecast to rise by 7% to 590 Mt, the highest since 1998-1999, due to higher yields in the EU, Eastern Europe and FSU from the below-normal crops of 2003-2004. Supplies will be relatively unchanged with lower carry-in stocks offsetting the higher production.

World wheat consumption is projected to increase slightly from 2003-2004 due to greater feed use in the EU, Eastern Europe and FSU resulting from higher production. Human food use of wheat is expected to be similar to 2003-2004, at 488 Mt, while the use of wheat for animal feed is expected to rise by 5%, to about 108 Mt. World trade is expected to increase slightly, to 100 Mt, but remain below the 5-year average of 107 Mt. Non-traditional exporters, such as Russia and Ukraine, which exported record quantities in 2002-2003 and depressed world prices that year, declined sharply in 2003-2004, and are not expected to significantly increase their market share in 2004-2005. World carry-out stocks are projected to decrease by 5%, to 121 Mt, the

lowest since 1981-1982 and well below the 5-year average of 181 Mt.

US winter wheat seeded area has decreased by 3% for 2004-2005, to 17.6 Mha, with the largest decreases being to hard red winter (HRW) and soft white winter wheat, due to dry conditions in the fall, in both the Great Plains and Pacific Northwest states, resulting in poor germination. Soft red winter (SRW) area is up slightly, due to strong wheat prices and production problems with soybeans in 2003-2004. Seeded areas of spring wheat and durum are forecast by AAFC to decline slightly. Program payments under the Farm Security and Rural Investment Act (FSRIA) are expected to support higher area. Assuming normal abandonment, harvested



area of all wheat is forecast to decline by 7%, to 19.9 Mha. Production is forecast by AAFC to decrease by 14%, to 54.9 Mt {about 2.02 billion bushels (Gbu)}. A slightly below trend yield of 41 bushels per acre (bu/ac) has been assumed because the HRW wheat crop is currently in relatively poor condition, due to a lack of precipitation. However, total wheat supplies are expected to decrease by only 9% due to higher carry-in stocks.

EU wheat production is forecast to recover by 13% from 2003-2004, to 103 Mt, assuming normal yields, well above the 5-year average of 97 Mt. Carry-in stocks are forecast to decline by 41%. As a result, EU wheat supplies are expected to increase by 6% for 2004-2005.

DURUM

World

Durum production is forecast to decline by 2%, to 35.6 Mt, with increased production in Canada and the EU offset by lower production in North Africa and the US. The decreased production will be partly offset by higher major-exporter carry-in stocks, and world supplies (including major-exporter stocks only) are expected to be down by 1% at 38.5 Mt. Trade is forecast to increase by 7%, to 6.2 Mt, assuming a return to lower normal yields and increased import demand from North Africa, the major durum importing region. However, world consumption is projected at 34.6 Mt, and carry-out stocks in the major exporting countries are forecast to increase by 31%, to 3.9 Mt, above the 5-year average of 3.6 Mt.

PRICES: WHEAT AND DURUM

Although world wheat stocks are expected to decline slightly, stocks in the five major wheat exporting countries, Canada, the US, the EU, Australia and Argentina, are forecast to increase by 6% by the end of 2004-2005, to 36 Mt. EU carry-out stocks are expected to rise by 8% to 8.5 Mt. US stocks are forecast to increase marginally to about 15.4 Mt, and the US stock-to-use ratio will rise to 27%, from 24% in 2003-2004. As a result, world wheat prices are expected to decline in 2004-2005.

US Hard Winter Ordinary (HWO) wheat prices, free on board (FOB) US Gulf, are forecast to decline to about US\$140-150 per tonne (/t) for 2004-2005 (for the Canadian August-July crop year), compared to an estimated US\$150-160/t for 2003-2004, and US\$161/t in 2002-2003. The price for US

Dark Northern Spring wheat with 14% protein (DNS 14), FOB Pacific Northwest, is forecast at US\$165-175/t, down by about US\$5/t from 2003-2004. Premiums for spring wheat on the Minneapolis Grain Exchange versus HRW wheat on the Kansas City Board of Trade are forecast to increase, assuming a decrease in US and Canadian spring wheat production in 2004-2005. Protein premiums are expected to rise as well, assuming a return to normal protein levels in the US and Canadian spring wheat crops from the higher than normal levels of 2003-2004. High protein Canada Western Red Spring (CWRS) wheat is generally priced competitively with US DNS 14 wheat, while lower protein CWRS and Canada Prairie Spring (CPS) wheat are usually priced competitively with US HWO.

World durum prices are expected to decline in 2003-2004, due to rising stocks in the major exporting countries. Supplies in the major exporting countries are expected to rise by 9%, to 19.5 Mt, versus the 5-year average of 18.8 Mt. World import demand is expected to increase due to decreased production in North Africa, but this will be partly offset by increased production in the EU. The US No.3 Hard Amber Durum (HAD) price, FOB St. Lawrence, is forecast at US\$170-180/t (August-July), versus US\$180-190/t in 2003-2004.

Export subsidies are not expected to be a significant factor in the world wheat market in 2004-2005. The US has not used the Export Enhancement Program since June of 1995, and continues to make use of credit and food aid programs to stimulate exports, with loan deficiency payments (LDP) used to support farm prices. EU stocks remain relatively low, so that export subsidies are not expected to be aggressive, even with expected increased production. The value

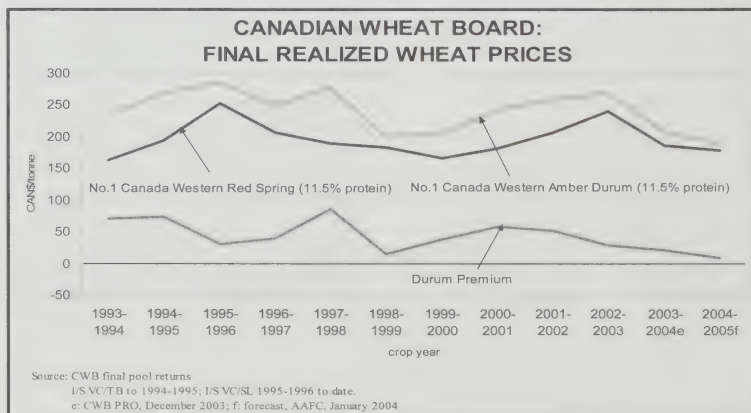
of the euro against the US dollar will be a major factor in determining the need for export subsidies.

The average US wheat LDP for 2003-2004 to-date on 21% of the crop has been US\$0.18/bu, versus US\$0.16/bu in 2002-2003 on only 6% of the crop, due to lower average farm prices. LDP are expected to increase further in 2004-2005, due to lower prices. The loan rate is US\$2.80/bu, the same as 2003-2004.

CANADA

Non-durum wheat seeded area is expected to decrease by 4% in 2004, due to relatively low wheat prices in 2003-2004 compared to oilseeds. Production is forecast to decrease marginally, to 19.1 Mt, assuming near-normal yields of 37 bu/ac. The smaller production will be offset by higher carry-in stocks, and supplies are forecast to be relatively unchanged, at 23.3 Mt. Domestic use is projected to increase by 5%, due to greater feed use, assuming a return to normal quality in the 2004 crop. Exports are expected to decline by 2%, to 12.3 Mt, with the largest declines in Ontario wheat. Carry-out stocks are projected to be unchanged at an historically low level of 4.2 Mt, versus the 5-year average of 5.5 Mt.

Durum seeded area is projected to increase by 4%, due to continued premiums over spring wheat in 2003-2004. Production is forecast to rise by 22%, to 5.2 Mt, assuming a return to a near-normal yield of 31 bu/ac, from the below-normal level of 26 bu/ac in 2003. Carry-in stocks are projected to rise by 2%, and durum supplies would increase by 17%, to 6.9 Mt, the highest since 2000-2001. Despite larger supplies, exports are projected to rise by only 6%, to 3.6 Mt, since world import demand is expected to increase by only 0.4 Mt and production in



the EU is forecast to increase, resulting in increased competition for export markets. Carry-out stocks are forecast to rise by 35%, to 2.3 Mt, versus the 5-year average of 2.0 Mt.

Ontario winter wheat seeded area is estimated by Statistics Canada to have declined by 25%, to 0.3 Mha, due to lower wheat prices and a late soybean harvest, which prevented winter wheat from being planted. Production is forecast by AAFC to fall by 30%, to 1.4 Mt, with exports falling from a projected record 1.1 Mt in 2003-2004 to 0.7 Mt in 2004-2005.

AAFC forecasts the 2004-2005 Canadian Wheat Board (CWB) **pool returns** for No.1 CWRS wheat with 11.5% protein at \$180/t, in-store Vancouver or St. Lawrence (I/S VC/SL), \$7/t below the 2003-2004 CWB December Pool Return Outlook (PRO). However, protein premiums are expected to rise and pool returns for No.1 CWRS with 13.5% protein are projected at \$195/t I/S VC/SL, compared to \$196/t in 2003-2004. Pool returns for No.1 Canada Western Amber Durum 11.5% protein are forecast by

AAFC at \$190/t I/S VC/SL, compared to the 2003-2004 CWB PRO of \$209/t. The durum premium over spring wheat is projected at only \$10/t, the lowest since 1992-1993.

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COARSE GRAINS

World production of coarse grains is expected to increase by 4% due to increased coarse grain production in the EU and FSU, higher corn production in the US, South America and China, and larger barley production in Canada. Supply is expected to decrease marginally as higher production only partially offsets the lowest carry-in stocks since 1975-1976. World consumption is forecast to decrease due to increased supplies of feed wheat. World trade is expected to increase due to more adequate export supplies in Europe and

stronger import demand from North Africa, the Middle East and China.

Corn

For **US** corn, area seeded is expected to increase by 2% from 2003-2004 because of strong current corn prices. Average yields are expected to be similar to 2003-2004 at 142 bu/ac. Production is expected to increase to 10.3 Gbu but supplies are expected to increase by only 1% due to lower carry-in stocks. Domestic use is forecast to increase by 1%, as ethanol production is expected to continue to grow with new plants beginning production, while feed and industrial use is projected to drop slightly. Exports are forecast to increase marginally to 2.0 Gbu, due mainly to less competition from China in Asian markets. Carry-out stocks are expected to be similar to 2003-2004, with the stocks-to-use ratio dropping from 10% to 9%. Program payments under the FSRJA are expected to support corn production in 2004-2005, although farm prices are expected to be above the loan rate of US\$1.95/bu.

WORLD: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

	Area (Mha)	Yield (t/ha)	Production	Total Supply	Trade	Use	Carry-out Stocks	Stocks-to- use Ratio (%)	World Prices ^{1/} (US\$/t)
..... million tonnes									
WHEAT									
2000-2001	219	2.65	581	788	104	584	206	35	127
2001-2002	215	2.70	582	787	110	586	201	34	127
2002-2003	214	2.65	567	768	108	603	165	28	161
2003-2004e	209	2.65	553	718	99	591	127	22	150-160
2004-2005f	216	2.74	590	717	100	596	121	20	140-150
COARSE GRAINS									
2000-2001	297	2.90	860	1,070	104	882	189	21	91
2001-2002	301	2.96	892	1,081	102	905	176	19	94
2002-2003	298	2.95	872	1,048	104	904	145	16	109
2003-2004e	299	2.95	883	1,028	102	927	100	11	105-115
2004-2005f	308	2.97	915	1,016	104	923	93	10	100-110
OILSEEDS ^{2/}									
2000-2001	188	1.65	314	346	68	310	36	12	169
2001-2002	193	1.68	323	363	65	326	37	11	174
2002-2003	192	1.71	329	368	74	326	42	13	232
2003-2004e	190	1.76	335	389	80	349	40	11	278
2004-2005f	196	1.83	360	400	86	359	41	11	243

Note: numbers may not add due to rounding

^{1/} Wheat: Hard Winter Ordinary, US Gulf; June-May crop year.

Coarse Grains: US Gulf No.3 Yellow Corn; September-August crop year.

Oilseeds: Chicago Cash No.1 Yellow Soybeans; September-August crop year.

^{2/} The 8 major oilseeds are soybeans, cottonseed, peanuts (whole), sunflowerseed, canola/rapeseed, copra, palm kernels and flaxseed.

e: estimate; USDA (FAS)-January 2004 and AAFC; f: forecast, AAFC, January 2004.

Source: USDA, Oil World

In **China**, corn production is forecast to increase from 2003-2004 due to higher area seeded. This is related to lower carry-in stocks and higher domestic prices, relative to wheat. Total supply is expected to decrease. Domestic use is forecast to continue to increase as a result of increased livestock production and the ethanol initiatives in Northeast and Northern China. The historically low supplies are expected to further cut China's corn exports. However, China is expected to continue to export substantial amounts of corn to neighbouring Asian markets, especially South Korea. China's corn exports are forecast to decrease to 4.5 Mt from 8.0 Mt for 2003-2004. Meanwhile, China is likely to import corn from overseas to serve its fast growing Southern and Eastern markets. Carry-out stocks are forecast to continue to decline, which will support world corn prices.

Barley

World barley production is expected to increase from 2003-2004, as higher production in Europe and Canada more than offsets reduced production in the US and Australia. Production in the Middle East, except for Saudi Arabia, and North Africa is forecast to decrease from 2003-2004 when very good crops were harvested in these regions. With much of the reduced carry-in stocks offset by higher production, world barley supplies are expected to be close to 2003-2004. However, exportable supplies are forecast to increase from 2003-2004, due to reduced feed demand for barley in Europe. Higher import demand for feed barley in the Middle East and stronger import demand for malting barley in China and, to a lesser degree, in the US are expected to drive world trade up. Carry-out stocks are expected to increase slightly.

In **Europe**, EU barley production is expected to increase by about 7% to 50 Mt due to increased area seeded to barley, as a result of the decrease in the set-aside requirements from 10% to 5% to boost EU grain production. Barley production in the FSU and Eastern Europe is forecast to recover from the weather-affected 2003-2004 to about 35 Mt and 9 Mt, respectively. Increased production in Europe is expected to more than offset lower carry-in stocks of 7.7 Mt for 2004-2005 versus 16.2 Mt for 2003-2004. As a result, barley supplies in Europe are forecast to increase. Demand in Europe is expected to decrease as barley is replaced by other feed grains, such as wheat and corn which experienced a significant decrease in production in 2003-2004. Barley exports from Europe, especially feed barley exports from the FSU, are forecast to increase, which is expected to pressure world feed barley prices significantly. The EU is expected to compete more aggressively with Australia and Canada in the world malting barley market, such as China, which depresses two row malting barley prices. EU barley subsidies are not expected to play a major role in the world barley market in 2004-2005.

In **Australia**, barley production is expected to decrease slightly from 2003-2004 while supplies are expected to increase due to significantly higher carry-in stocks. Larger Australian barley supplies are forecast to continue to depress world barley, especially malting barley, prices in 2004-2005.

PRICES

The average farm price for **US corn** is forecast to decrease to about US\$2.25/bu, compared to the current United States Department of Agriculture forecast of

US\$2.30/bu for 2003-2004. The nearby Chicago futures price is expected to decrease to US\$2.50/bu from US\$2.55/bu expected for 2003-2004. This will cause US Gulf and Pacific Northwest (PNW) corn prices to decrease and will pressure international coarse grain prices in general. The average **US PNW feed barley** price is forecast to decrease to US\$120/t from US\$130/t expected for 2003-2004. Production recovery in Europe, especially in the FSU and Eastern Europe, is expected to depress EU feed barley prices to the equivalent of US\$130/t from US\$150/t expected for 2003-2004.

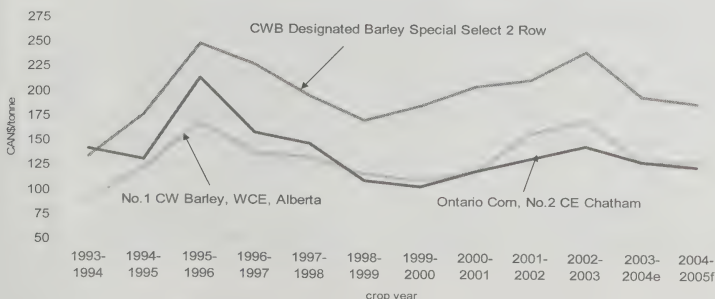
The average LDP to-date on corn for 2003-2004 has decreased to US\$0.05/bu on 6.8% of the crop from US\$0.08/bu for 2002-2003 on 0.02% of the crop. For 2004-2005, LDPs are expected to be low due to relatively high US farm prices for corn.

CANADA

Coarse grain harvested area is expected to increase slightly from 2003-2004 as lower abandonment more than offsets the slight decrease in area seeded. Production is forecast to increase by about 5% due to higher yields and increased area harvested. Although supplies are forecast to increase by 6% due to increases in production, imports and carry-in stocks, net exports are expected to fall as a result of lower barley exports and higher corn imports.

For **barley**, Canadian production is forecast to increase by 7%. Farmers are forecast to decrease area seeded to barley by 3%, as area is shifted away from grains to oilseeds, following the strong oilseed prices in 2003-2004. Average yields and the percentage that is harvested for grain are expected to increase moderately. The area of barley crop that is harvested for fodder is expected to be below the average in recent history. Average yields are expected to increase by 8% from 2003-2004, but remain below trend due to the dry subsoil conditions. Supply is expected to increase by about 8% from 2003-2004 to 14.9 Mt as a result of increased production and higher carry-in stocks. Domestic use of feed barley is expected to rise due to increased supplies and higher feed demand from the cattle and hog industries. Imports of US corn are forecast to increase from the low level for 2003-2004, but still be significantly lower than the average for the last three years when US corn imports reached a historical high. Exports of feed barley are projected to decrease from 2003-2004, due to stronger domestic demand and diminishing price

CANADA: BARLEY AND CORN PRICES



e: CWB PRO, December 2003 for Designated barley;

f: forecast, AAFC, January 2004 for WCE barley and Ontario corn

Source: Canadian Wheat Board, Ontario Ministry of Agriculture and Food

premium for offshore sales over the domestic market. Exports of malting barley are expected to increase as a result of increased production and improved quality in Canada and stronger import demand from China. Carry-out stocks are expected to increase to 1.8 Mt, from 1.6 Mt in 2003-2004, but remain historically low.

Off-Board feed barley prices are forecast to average \$125/t (l/s Lethbridge), the same as for 2003-2004, as much of the increase in supplies is absorbed by domestic feed demand and exports. The CWB final pool return for 2004-2005 for No.1 CW feed barley is forecast by AAFC to decrease by \$14/t from the Dec. 2003 PRO to \$145/t l/s VC/SL. The pool return for Special Select Two-Row designated barley is forecast to decrease from 2003-2004, to \$190/t, due mainly to increased world supplies. The pool return for Special Select Six-Row designated barley is forecast to decrease to \$180/t. The premium for two-row malting barley over six-row is expected to be lower than in 2003-2004, as six-row prices are less pressured than two-row prices by increased supplies overseas and US imports of malting barley are expected to remain strong.

For **oats**, Canadian production is forecast to increase by 10% from 2003-2004. Exports are forecast to increase as a result of increased production in Canada and stronger import demand from the US. Carry-out stocks are projected to increase from 2003-2004, but remain historically low. The average oat price is expected to remain unchanged from 2003-2004 at \$130/t. US production is expected to decline by about 15% from 2003-2004, consistent with the long-term trend. Production in the EU is forecast to increase slightly from 2003-2004 due mainly to expected production recovery in Sweden. Export subsidies could be higher than in 2003-2004, especially if both the EU and Canada produce exceptionally large crops of oats. Oats are expected to be priced competitively with US corn and the spread between corn and oats is forecast to remain narrow. Chicago futures prices are expected to increase marginally from 2003-2004 to US\$1.50/bu in 2004-2005, suggesting an average on-farm price of about \$120/t in Manitoba and \$105/t in Saskatchewan.

For **corn**, Canadian production is forecast to be marginally higher than in 2003-2004. Area seeded to corn is forecast to increase by about 5% as area is expected to return from winter wheat back to corn in Ontario. Yields are expected to decrease by 5% from

the historical high in 2003-2004. Imports are forecast at about 1.65 Mt, with 1.20 Mt for eastern Canada and 0.45 Mt for western Canada, as high barley supplies are expected to reduce corn imports from the record highs in the last two years. Domestic use is forecast to increase by 4% from 2003-2004. The Chatham elevator corn price is forecast to average \$125/t, \$5 lower than in 2003-2004, due to lower US prices and a stronger Canadian dollar. The Chatham-Chicago basis is forecast to remain similar to 2003-2004, based on projections for steady demand for imports in eastern Canada.

For **rye**, production is forecast to increase by 17% from 2003-2004 to 0.38 Mt. The increased area seeded to rye and higher percentage harvested for grain are expected to more than offset lower yields. Feed use, industrial use and exports are forecast to increase due to increased supplies. The on-farm price for rye is forecast at \$105-135/t across the Prairies, similar to 2003-2004, based on the general trend for coarse grain prices in Canada. Rye is usually priced competitively with barley based on its feed value; however, some premiums are expected to be offered for rye in Manitoba, and perhaps Alberta, to attract quality supplies for the food market.

For more information please contact:

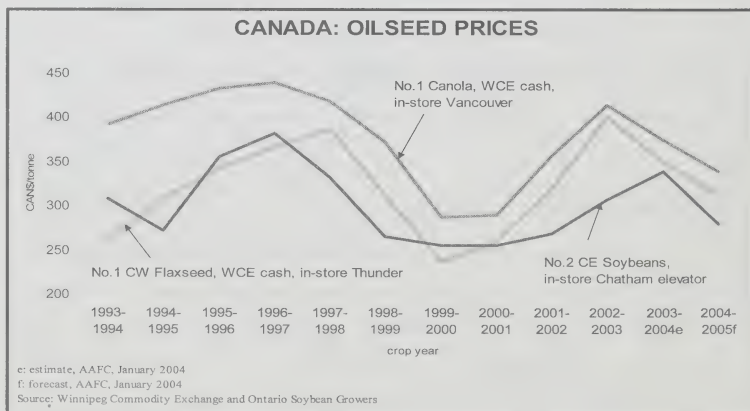
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OILSEEDS

For 2004-2005, world demand for oilseeds and oilseed products is expected to continue growing sharply setting new records on support from increased world demand for protein and fats. Vegetable oils (vegoils) are the major source of dietary fats for humans with the worldwide per capita consumption expected to be about 20 kilograms per year.

World production of the eight major oilseeds is forecast to increase to a record 360 Mt in 2004-2005. This is due largely to higher soybean plantings in South America, and higher yields in the US. Oilseed use is forecast at a record 359 Mt, on support from increased vegoil and protein meal consumption in China and India. Trade is expected to increase, to 86 Mt, and carry-out stocks are forecast at 41 Mt, up from 40 Mt in 2003-2004.

World **soybean** production is forecast to increase to 212 Mt from 199 Mt expected for 2003-2004, as Brazil, Argentina and Paraguay continue to increase the area seeded to soybeans, to be harvested in May 2004. The combined soybean production of Brazil and Argentina is expected to be about 25% above that of the US. Strong Chinese demand and the devaluation of the US dollar are expected to support American exports. Concurrently, the rise in ocean freight rates is expected to pressure South American exports of soybeans due to the greater distance from the European and Asian markets. In the US, production is expected to rise with a return to normal yields. Seeded area is expected to increase only slightly, however, as the cumulative result of several years of disease, agronomic and climatic problems across various regions of the US. Despite tight



carry-in stocks, US soybeans supplies are expected to increase which will pressure prices from the high levels of 2003-2004.

World soybean crush is forecast at a record 185 Mt, as China and Brazil continue to expand processing capacity. China's soybean crush, forecast at 32 Mt for 2004-2005, has doubled during the past five years and, at the current rate of expansion, could double again within a few years. World soybean carry-out stocks are forecast to increase slightly to 37 Mt.

World **canola/rapeseed** production is forecast to increase by 5%, to 40 Mt due to an expected increase in seeded area in Canada and Australia as a result of higher returns per hectare compared to wheat. World trade is expected to rise to about 6 Mt largely due to increased Canadian exports. Total world canola/rapeseed crush is forecast to rise to 37 Mt in 2004-2005 on support from very strong crush margins. Carry-out stocks are expected to fall to 1.9 Mt.

World **flaxseed** production is forecast to increase marginally as farmers plant more flaxseed in response to favourable prices. In Canada, which is the single largest producer and exporter of flaxseed, yields are expected to increase sharply, assuming normal growing conditions in 2004-2005.

PROTEIN MEAL AND EDIBLE OIL

Soymeal production, which represents 70% of world protein meal production, is forecast at 148 Mt, up from 139 Mt in 2003-2004, due to higher crush in the US, Brazil, Argentina and China. Demand for soymeal is expected to increase sharply on support from the possible ban on animal meal in US livestock rations and the industrialization of China's livestock sector. However, soymeal prices are expected to fall from the expected very strong levels of 2003-2004 due to increased production.

Edible oil production is forecast at 104 Mt, up from 101 Mt in 2003-2004, due to slightly higher palmoil production and increased soybeans and canola/rapeseed crushing. Demand for edible oils is expected to remain strong, particularly in China and India. Chinese demand for vegoils is forecast to grow slightly and will be satisfied through increased domestic crush and increased oilseed, palm oil, soyoil and

canola/rape oil imports.

Palm oil production in Malaysia is expected to grow at a moderate pace due to the maturation of the palm oil trees and a slowdown in the planting and replanting of palm trees, which will be supportive for vegoil prices.

US PRICES

The US on-farm price of soybeans is forecast to fall to US\$6.00/bu from US\$7.25/bu for 2003-2004, due to the expected return of normal yields and production across the US combined with record high South American production. As well, soymeal prices are forecast to average US\$200/short ton (st) down from US\$235/st in 2003-2004. World vegoil prices are expected to remain strong with US soyoil prices forecast to average US\$0.23 per pound (/lb) down from the US\$0.28/lb expected for 2003-2004. For 2003-2004 and 2004-2005, US LDPs are not expected to be significant as local market prices are expected to remain above the posted county prices.

CANADA

For **canola**, seeded area is forecast to increase by 9% to 5.2 Mha due to the high prices relative to wheat in 2003-2004. Increased production, forecast at 7.1 Mt from 6.7 Mt in 2003-2004, is forecast to complement the increase in carry-in stocks, resulting in a 8% rise in supplies, to 8.4 Mt. Domestic crush is forecast to remain stable while exports are expected to increase significantly. Carry-out stocks are expected to increase to 1.25 Mt, while prices are forecast to fall to \$345/t from \$375/t expected for 2003-2004.

For **flaxseed**, seeded area is forecast to increase by 9% to 0.8 Mha due to attractive prices in 2003-2004. As a result of higher yields, production is forecast at 1.0 Mt, up from 0.8 Mt in 2003-2004. As well, carry-in stocks are expected to increase, resulting in significantly higher supplies for 2004-2005. Exports are expected to rise slightly, to 0.6 Mt while total domestic usage remains stable. Carry-out stocks are expected to rise sharply to 0.4 Mt from 0.15 Mt in 2003-2004, with prices forecast to fall to \$315/t from the \$350/t expected for 2003-2004.

For **soybeans**, seeded area is forecast to increase due largely to decreased winter wheat plantings in Ontario. Average yields are expected to return to normal and production is forecast to increase to 2.7 Mt, from 2.3 Mt in 2003-2004. Supplies are expected to increase modestly due to lower imports, while exports are expected to remain stable at 0.7 Mt. Domestic processing is forecast to remain stable because of ample supplies and reasonable crush margins. Prices are expected to decline to \$280/t, I/S Chatham, from \$340/t expected for 2003-2004, largely due to lower US soybean prices and a stronger Canadian dollar.

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CANADA: PULSE AND SPECIAL CROPS OUTLOOK

January 20, 2004

For 2003-04, total production of pulse and special crops increased by 37% from 2002-03 to 3.67 million tonnes (Mt), as a lower seeded area was more than offset by lower abandonment and higher yields. Average crop quality was higher than normal for dry peas, lentils and chick peas and normal for dry beans, mustard seed, canary seed, sunflower seed and buckwheat. Exports and domestic use are forecast to increase, and carry-out stocks are expected to decrease slightly. Average prices, compared to 2002-03, are forecast to increase for dry beans, chick peas and buckwheat, be the same for lentils and decrease for dry peas, mustard seed, canary seed and sunflower seed. Prices are being pressured, to a varying degree, by the stronger Canadian dollar, compared to US and some other currencies, and sharply higher ocean shipping rates.

For 2004-05, total area seeded to pulse and special crops in Canada is forecast to decrease by 4% from 2003-04, as an increase for lentils is more than offset by decreases for dry peas, dry beans, mustard seed and sunflower seed. It is assumed that precipitation will be normal for the winter, spring and summer. However for western Canada, due to the current dry conditions in most areas, yields are forecast to be below trend but, in general, higher than in 2003-04. For eastern Canada, trend yields are assumed. It has been assumed that the abandonment rate and average quality will be normal. Total production in Canada is forecast to increase by 8% to 3.97 Mt. Total supply is expected to increase by 6% to 4.66 Mt. Exports, domestic use and carry-out stocks are forecast to increase due to the higher supply. Average prices, compared to 2003-04, are forecast to increase for dry beans, chick peas and sunflower seed, decrease for dry peas, lentils, mustard seed and canary seed, and be the same for buckwheat. However, prices are expected to be very sensitive to any production problems due to low world carry-in stocks for most crops. The main factor to watch will be precipitation during the rest of the winter and, especially, during the spring and summer in western Canada. If the dry conditions persist in parts of western Canada, the seeded area for small seed crops, such as mustard seed and canary seed, could be lower than forecast. Other factors to watch are the exchange rate of the Canadian dollar against the US dollar and other currencies, ocean shipping rates and growing conditions in major producing countries.

DRY PEAS

For 2003-04, due to higher production and supply, exports are forecast to increase. The average price is forecast to decrease, compared to 2002-03, as carry-out stocks decrease marginally, with a stocks-to-use ratio (s/u) of 14%.

For 2004-05, the area seeded is forecast to decrease by 5%. Production and supply are forecast to increase due to expected higher yields. World supply is expected to increase by 7% to 11.6 Mt because of higher production in Canada and the EU, but this is expected to be mostly offset by increased use. Canadian exports and domestic use are forecast to increase due to higher supply and lower prices. Carry-out stocks are forecast to increase, with a s/u of 15%. The average price, compared to 2003-04, over all types, grades and markets, is forecast to decrease due to the higher supply.

LENTILS

For 2003-04, due to higher production and supply, Canadian exports are forecast to increase. The average price is forecast to be the same as in 2002-03 as higher average quality offsets the pressure from increased supply. Carry-out stocks are expected to increase, with a s/u of 7%.

For 2004-05, the seeded area is forecast to increase by about 5%. Production and supply are forecast to increase due to the higher seeded area and expected higher yields. World supply is forecast to increase by 3% to 3.26 Mt, due mainly to higher Canadian production. Canadian exports are expected to increase, as Canada's share of world supply increases. Carry-out stocks are forecast to increase, with a s/u of 12%. The average price, over all types and grades, is forecast to decrease due to the higher supply.

DRY BEANS

For 2003-04, production and supply decreased significantly in Canada and the US. Canadian exports are forecast to increase because of strong demand. Carry-out stocks are expected to decrease, with a s/u of 12%, and the average price is forecast to increase.

For 2004-05, area seeded is forecast to decrease marginally. Production and total supply are expected to decrease, due mainly to a return to normal yields which are lower than yields in 2003-04. In the US, production is expected to increase, while the total supply remains stable

due to lower carry-in stocks. Canadian exports are forecast to decrease due to the lower supply. Carry-out stocks are expected to decrease, with a s/u of 5%. The average price, over all classes and grades, is forecast to increase due to the lower supply.

CHICK PEAS

For 2003-04, due to lower production and supply, exports are forecast to decrease. Carry-out stocks are expected to decrease, with a s/u of 9%. The average price is forecast to increase because of higher average quality.

For 2004-05, the area seeded is forecast to be similar to 2003-04, with a shift in production to the large kabuli type. Production is expected to decrease slightly due to a return to normal abandonment rate which is higher than in 2003-04. Supply is forecast to decrease, due mainly to lower carry-in stocks. Total world supply is expected to decrease slightly to 7.7 Mt. Canadian exports are forecast to decrease due to the lower supply. Carry-out stocks are expected to decrease to a low level. The average price, over all types, grades and sizes, is forecast to increase due to the lower supply.

MUSTARD SEED

For 2003-04, due to higher production and supply, exports are forecast to increase. Carry-out stocks are expected to increase, with a s/u of 52% and the average price is forecast to decrease sharply.

For 2004-05, area seeded is expected to decrease by 20%. Production is forecast to decrease, while supply increases, as the decrease in production is more than offset by higher carry-in stocks. Although exports are expected to rise, carry-out stocks are forecast to increase, with a s/u ratio of 53%. The average price, over all types and grades, is expected to decrease due to the higher supply.

CANARY SEED

For 2003-04, due to higher production and supply, exports are forecast to increase. Carry-out stocks are expected to increase, with a s/u ratio of 23%. The average price is forecast to decrease sharply due to the higher supply.

For 2004-05, area seeded is expected to be the same as in 2003-04. Production and supply are forecast to increase due to higher yields and

higher carry-in stocks. Total world supply is forecast to increase by 12% to 325,000 t. Although Canadian exports are expected to increase, due to lower prices, carry-out stocks are forecast to increase, with a s/u ratio of 29%. The average price is forecast to decrease, due to the higher supply.

SUNFLOWER SEED

For 2003-04, due to higher supply and strong demand, exports and domestic use are expected to increase. Carry-out stocks are forecast to decrease, with a s/u ratio of 17%. The average price is forecast to decrease due to the higher supply of the oilseed type.

For 2004-05, area seeded is expected to decrease by 10%. Production and supply are forecast to increase due to expected higher yields. Total world supply is expected to increase marginally to 26.6 Mt. Canadian exports are forecast to remain stable, while domestic use increases. Carry-out stocks are expected to remain stable, with a s/u of 17%. The average price, over both types and all grades, is forecast to increase because of some shift in production to the higher priced confectionary type.

BUCKWHEAT

For 2003-04, due to lower production and supply, exports are expected to remain stable, while carry-out stocks decrease. The average price is forecast to increase due to the lower supply.

For 2004-05, area seeded and production are forecast to be the same as in 2003-04, while supply decreases due to lower carry-in stocks. Exports are forecast to remain stable and carry-out stocks are expected to be very low. The average price is forecast to be the same as in 2003-04, as lower Canadian supply is more than offset by slightly higher world supply.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

January 20, 2004

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----									
Dry Peas									
2000-2001	1,220	2.35	2,864	12	3,276	2,196	885	195	138
2001-2002	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,050	1.30	1,365	41	1,681	650	721	310	210
2003-2004f	1,271	1.67	2,124	25	2,459	1,350	809	300	150-180
2004-2005f	1,210	1.95	2,360	25	2,685	1,450	885	350	140-170
Lentils									
2000-2001	688	1.33	914	5	999	475	268	256	295
2001-2002	664	0.85	566	6	828	478	219	131	320
2002-2003	387	0.91	354	9	494	319	120	55	390
2003-2004f	536	0.97	520	5	580	410	130	40	375-405
2004-2005f	570	1.10	625	5	670	460	140	70	350-380
Dry Beans									
2000-2001	162	1.65	268	40	348	227	71	50	465
2001-2002	175	1.70	298	42	390	263	97	30	725
2002-2003	219	1.89	414	40	484	297	122	65	445
2003-2004f	167	2.13	356	35	456	315	91	50	475-505
2004-2005f	165	1.85	305	40	395	290	85	20	510-540
Chick Peas									
2000-2001	283	1.37	388	5	408	179	199	30	410
2001-2002	467	0.97	455	12	497	147	210	140	380
2002-2003	154	1.01	156	9	305	115	130	60	300
2003-2004f	63	1.08	68	10	138	75	43	20	315-345
2004-2005f	60	1.08	65	15	100	45	45	10	330-360
Mustard Seed									
2000-2001	208	0.97	202	1	318	151	62	105	280
2001-2002	158	0.66	105	3	213	171	9	33	685
2002-2003	255	0.60	154	9	196	120	16	60	595
2003-2004f	328	0.69	226	5	291	160	31	100	375-405
2004-2005f	265	0.81	215	3	318	170	38	110	360-390
Canary Seed									
2000-2001	164	1.04	171	0	261	170	21	70	265
2001-2002	163	0.70	114	0	184	134	20	30	660
2002-2003	214	0.77	164	0	194	163	11	20	575
2003-2004f	243	0.91	220	0	240	170	25	45	335-365
2004-2005f	245	0.92	225	0	270	175	35	60	295-325
Sunflower Seed									
2000-2001	69	1.72	119	18	178	77	55	46	320
2001-2002	67	1.55	104	29	179	92	65	22	355
2002-2003	95	1.65	157	21	200	105	60	35	440
2003-2004f	115	1.30	150	20	205	110	65	30	355-385
2004-2005f	100	1.60	160	20	210	110	70	30	365-395
Buckwheat									
2000-2001	15	0.93	14	1	16	9	7	0	305
2001-2002	14	1.14	16	1	17	6	8	3	325
2002-2003	12	1.00	12	1	16	6	7	3	340
2003-2004f	9	1.11	10	1	14	6	7	1	340-370
2004-2005f	9	1.11	10	1	12	6	6	0	340-370
Total Pulse And Special Crops(c)									
2000-2001	2,809	1.76	4,940	82	5,804	3,484	1,568	752	
2001-2002	2,993	1.23	3,681	120	4,553	2,672	1,217	664	
2002-2003	2,386	1.16	2,776	130	3,570	1,775	1,187	608	
2003-2004f	2,732	1.34	3,674	101	4,383	2,596	1,201	586	
2004-2005f	2,624	1.51	3,965	109	4,660	2,706	1,304	650	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, January 20, 2004

Source: Statistics Canada and industry consultations.

CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

January 20, 2004

Grain and Crop Year	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use	Feed, Waste & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (e) \$/t
(a)											
----- thousand metric tonnes -----											
Durum											
2002-2003	2,246	1.73	3,877	6	5,427	2,968	279	283	799	1,660	271.23
2003-2004 ^f	2,434	1.76	4,280	2	5,942	3,400	285	307	842	1,700	209 *
2004-2005 ^f	2,535	2.06	5,230	5	6,935	3,600	290	515	1,035	2,300	190
Wheat Except Durum											
2002-2003	6,590	1.87	12,321	173	17,678	6,223	2,767	3,904	7,465	3,990	241.00
2003-2004 ^f	8,009	2.41	19,272	20	23,282	12,600	2,780	2,942	6,482	4,200	187 *
2004-2005 ^f	7,660	2.49	19,100	25	23,325	12,300	2,790	3,255	6,825	4,200	180
All Wheat											
2002-2003	8,836	1.83	16,198	178	23,105	9,191	3,046	4,188	8,264	5,650	
2003-2004 ^f	10,443	2.26	23,552	22	29,224	16,000	3,065	3,249	7,324	5,900	
2004-2005 ^f	10,195	2.39	24,330	30	30,260	15,900	3,080	3,770	7,860	6,500	
Barley											
2002-2003	3,348	2.24	7,489	259	9,795	939	181	6,796	7,415	1,441	171.88
2003-2004 ^f	4,446	2.77	12,328	50	13,819	2,800	320	8,664	9,419	1,600	115-135
2004-2005 ^f	4,366	3.03	13,247	50	14,897	2,750	375	9,517	10,347	1,800	110-140
Corn											
2002-2003	1,283	7.01	8,999	3,904	13,958	308	2,385	10,121	12,540	1,111	145.34
2003-2004 ^f	1,226	7.82	9,587	1,400	12,098	400	2,500	8,163	10,698	1,000	120-140
2004-2005 ^f	1,299	7.44	9,662	1,650	12,312	300	2,650	8,427	11,112	900	110-140
Oats											
2002-2003	1,379	2.11	2,911	21	3,294	1,189	128	1,226	1,546	559	193.91
2003-2004 ^f	1,575	2.34	3,691	5	4,255	1,600	150	1,665	2,005	650	120-140
2004-2005 ^f	1,601	2.53	4,049	5	4,704	1,700	150	1,899	2,254	750	115-145
Rye											
2002-2003	77	1.74	134	2	185	52	38	43	103	30	
2003-2004 ^f	147	2.22	327	5	362	85	47	147	212	65	
2004-2005 ^f	185	2.08	384	2	451	90	48	216	281	80	
Mixed Grains											
2002-2003	132	2.72	359	0	359	0	0	359	359	0	
2003-2004 ^f	135	2.84	384	0	384	0	0	384	384	0	
2004-2005 ^f	131	2.87	376	0	376	0	0	376	376	0	
Total Coarse Grains											
2002-2003	6,218	3.20	19,892	4,185	27,591	2,488	2,731	18,544	21,963	3,141	
2003-2004 ^f	7,529	3.50	26,317	1,460	30,918	4,885	3,017	19,023	22,718	3,315	
2004-2005 ^f	7,582	3.66	27,718	1,707	32,740	4,840	3,223	20,435	24,370	3,530	
Canola											
2002-2003	3,262	1.28	4,178	240	5,667	2,394	2,225	116	2,379	894	415.09
2003-2004 ^f	4,689	1.42	6,669	225	7,788	3,300	3,100	293	3,438	1,050	360-390
2004-2005 ^f	5,105	1.39	7,100	225	8,375	3,700	3,100	280	3,425	1,250	325-365
Flaxseed											
2002-2003	633	1.07	679	27	892	577	n/a	n/a	186	129	401.97
2003-2004 ^f	728	1.04	754	20	903	550	n/a	n/a	203	150	335-365
2004-2005 ^f	804	1.26	1,010	20	1,180	600	n/a	n/a	180	400	300-330
Soybeans											
2002-2003	1,024	2.28	2,336	651	3,159	722	1,763	458	2,291	145	307.55
2003-2004 ^f	1,047	2.17	2,268	650	3,063	700	1,725	418	2,213	150	325-355
2004-2005 ^f	1,092	2.47	2,692	250	3,092	700	1,750	397	2,217	175	260-300
Total Oilseeds											
2002-2003	4,919	1.46	7,193	918	9,718	3,694	n/a	n/a	4,856	1,168	
2003-2004 ^f	6,464	1.50	9,692	895	11,755	4,550	n/a	n/a	5,855	1,350	
2004-2005 ^f	7,001	1.54	10,802	495	12,647	5,000	n/a	n/a	5,822	1,825	
Total Grains And Oilseeds											
2002-2003	19,973	2.17	43,282	5,280	60,414	15,373	n/a	n/a	35,083	9,959	
2003-2004 ^f	24,437	2.44	59,561	2,377	71,897	25,435	n/a	n/a	35,897	10,565	
2004-2005 ^f	24,777	2.54	62,850	2,232	75,647	25,740	n/a	n/a	38,052	11,855	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use. For flaxseed and soybeans, food/industrial use and feed/waste/dockage are included in the total domestic use, but are not reported due to data confidentiality.

(e) Crop year average prices: No.1 CWRS 11.5% and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBOT nearby futures); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* December 2003 CWB Pool Return Outlook (PRO)

^{f/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

f: Agriculture and Agri-Food Canada forecast, January 20, 2004

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: GRAINS AND OILSEEDS OUTLOOK

January 20, 2004

For 2003-04, total production of grains and oilseeds in Canada is estimated by Statistics Canada at 59.6 million tonnes (Mt) versus 43.3 Mt in 2002-03 and the 10-year average of 59.7 Mt. In western Canada, production is estimated to increase to 44.1 Mt from 28.9 Mt in 2002-03 and crop quality is generally above average. The proportion of the wheat and durum crop in western Canada in the top two grades is estimated to be over 90%, compared to less than 30% in 2002-03, and the protein content is above normal due to the hot dry growing season. Barley protein levels are also likely higher than normal, which may limit the amount selected for malting purposes. Fusarium is not a problem in wheat or barley. Total supplies have increased, as higher production has more than offset low carry-in stocks. In eastern Canada, production has increased to 15.6 Mt, from 14.5 Mt in 2002-03, due to near-record corn yields. It has been assumed that the trade disruptions affecting the cattle and beef sector, related to the bovine spongiform encephalopathy (BSE) cases in Alberta and the US will not have a major impact on feed use in 2003-04.

Average world wheat export prices, in US dollars, have decreased from the 2002-03 level due to higher production in the US, Canada and Australia. However, prices have been supported by lower production in the EU, Eastern Europe, Ukraine and Russia. For coarse grains, prices have been pressured by the large US corn crop but for barley, this will be partly offset by low feedgrain production in Europe. The European Union (EU) suspended its weekly open market export tenders for wheat, barley and rye on July 31. For oilseeds, world prices have increased significantly from last year due to lower soybean supplies in the US and strong world demand. In Canada, except for soybeans, the average prices for grains and oilseeds are expected to be lower than last year due to increased supply and the stronger Canadian dollar relative to the US dollar. The major factors to watch are: import demand from China, growing conditions in Brazil for the soybean crop, EU grain export policy, winter wheat production in the US and other major winter wheat producing countries, developments regarding the cattle trade, ocean freight rates, and the Canada/US exchange rate.

WHEAT (ex-durum)

Production increased by 56% from 2002-03, to 19.3 Mt, slightly below the 10-year avg. of 19.9 Mt. The higher production has been partly offset by a 23% decrease in carry-in stocks, and total supplies are up by 32% from 2002-03, at 23.3 Mt. Ontario wheat production is a record 2.2 Mt, 86% above the 10-year average. Total exports are forecast to more than double, to 12.6 Mt, from only 6.2 Mt in 2002-03, but remain below the 10-year average of 13.5 Mt. Of this, a record 1.1 Mt are expected to be from Ontario. Much of the Ontario exports will be to the US, as US mills are reported to be buying Ontario soft wheat because of fusarium problems in the US soft red winter crop. Total feed use in Canada is expected to decline by 25% from 2002-03, to 2.9 Mt, due to good quality and higher barley supplies. Carry-out stocks are forecast to rise slightly but remain historically low at 4.2 Mt. The Canadian Wheat Board (CWB) Dec. 2003-04 Pool Return Outlook (PRO) for No.1 CWSR 11.5% protein is \$187/t, in-store Vancouver/ St. Lawrence (I/S VC/SL), up \$2/t from Nov. due to a slightly stronger world price outlook, but it remains \$54/t below the final realized price for 2002-03.

DURUM

Production increased by 10% from 2002-03, to 4.3 Mt, due to a higher harvested area, although yields are relatively unchanged from last year due to continued dryness in southern Saskatchewan. Carry-in stocks are up by 8% from 2002-03, and total supplies have increased by 10% to 5.9 Mt, which remains below the 10-year average of 6.2 Mt. Exports are forecast to rise by 15%, to 3.4 Mt, due to increased supplies of Nos. 1 and 2 CWAD. This is below the 10-year average of 3.6 Mt, largely due to weak world demand for durum wheat resulting from good crops in North Africa. Carry-out stocks are projected to rise slightly, to 1.7 Mt, equal to the 10-year average. The CWB Dec. PRO for No.1 CWAD 11.5% protein is up by \$4/t from Nov. at \$209/t, I/S VC/SL, but \$62/t below

2002-03, with the increase from last month due to stronger than expected demand from the EU. The premium for No.1 CWAD 11.5% over No.1 CWSR 11.5% is projected at \$22/t, vs \$30/t in 2002-03.

BARLEY

Production increased by 65% from 2002-03 but supplies rose by only 41%, due to lower carry-in stocks. Exports of malting barley and feed barley are both expected to increase sharply. Feed use of barley is expected to rise significantly from 2002-03, as barley displaces imports of US corn in western Canada. Barley carry-out stocks are forecast to increase but remain historically low. Off-Board feed barley prices are expected to decrease sharply. The CWB Dec. PRO for No.1 CW Feed barley is \$159/t, I/S VC/SL, vs the 2002-03 final realized price of \$164/t. The CWB PRO for Special Select Two Row designated barley is \$197/t, vs \$242/t in 2002-03, due to higher supplies in North America and Australia.

OATS

Production and supplies increased by nearly 30% from 2002-03. Exports, mainly to the US, are expected to rise significantly due to larger supplies and reduced competition from Sweden and Finland. Carry-out stocks are expected to rise slightly. Prices are forecast to fall sharply largely due to higher production in Canada and the US and the stronger Canadian dollar. The premium for oats over corn is expected to fall sharply.

CORN

Production increased by 7 percent from 2002-03 due to higher yields. Supply is forecast to decrease, as imports are expected to fall to 1.4 Mt, due to higher barley production in western Canada and higher corn and wheat production in eastern Canada. Carry-out stocks are forecast to decrease. The average Chatham price is forecast to fall by about \$15/t from 2002-03, due to the stronger Canadian dollar and decreased basis from Chicago.

CANOLA

Production increased by 60% from 2002-03, but supplies rose by only 37%, due to lower carry-in stocks. Domestic crush is forecast to rise by 39%, supported by reported canola oil sales to China. Exports are also forecast to increase by 38%, due to higher shipments to Mexico and China. Carry-out stocks are forecast to rise from 2002-03. The average Vancouver cash price is forecast to fall to \$360-390/t, as the stronger Canadian dollar offsets support from higher US soyoil prices.

FLAXSEED (excluding solin)

Production increased by 11%, but supplies rose by only 1% due to lower carry-in stocks. Exports are forecast to decrease slightly on weaker EU demand. Carry-out stocks are expected to rise from 2002-03. The average Thunder Bay cash price is forecast to fall to \$335-365/t, under pressure from higher supplies and the stronger Canadian dollar.

SOYBEANS

Production decreased by 3%, due to lower yields. Supplies are forecast to fall slightly. Food and industrial use, exports and carry-out stocks are forecast to decrease slightly. The average Chatham price is forecast to increase to \$325-355/t, as support from higher world prices more than offsets pressure from the stronger Canadian dollar.

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CANADA: AREA SEEDED 2004-2005

CROP BUDGETS

MANITOBA

	Spring Wheat	Feed Barley ^{4/}	Canola	Flaxseed	Oats	Confectionary Sunflower	Dry Peas
Variable Costs ^{1/}				\$/ha			
Seed (inc. treatment)	42.65	32.31	56.84	27.30	40.34	78.32	86.62
Fertilizer	72.78	72.78	90.65	63.98	67.70	89.17	45.73
Chemical	78.13	65.53	129.17	65.53	27.73	168.86	50.41
Fuel	28.42	28.42	28.42	28.42	28.42	29.65	32.12
Repairs	24.98	24.98	24.98	24.98	24.98	27.48	26.24
Crop Insurance	13.24	11.37	20.26	13.07	13.91	12.70	12.08
Interest	8.48	7.76	11.04	7.41	6.84	13.10	8.30
Other	18.63	18.63	18.63	18.63	18.63	19.87	19.87
Total Variable Costs	287.31	261.78	379.99	249.32	228.55	439.15	281.37
Projected Returns ^{2/}	2 CWRS*	1 CW	1 CAN	1 CW	3 CW	1 CAN	2 CAN
Projected Yield (t/ha)	2.55	3.20	1.65	1.35	2.80	1.60	2.15
Projected Price (\$/t)	151.00	85.00	355.00	320.00	125.00	440.00	175.00
Projected Revenue	385.05	272.00	585.75	432.00	350.00	704.00	376.25
Net Return (\$/ha)	97.74	10.22	205.76	182.68	121.45	264.85	94.88

SASKATCHEWAN: Brown Soil Zone - conventional seeded stubble

	Spring Wheat	Durum Wheat	Feed Barley ^{4/}	Large Green Lentils	Yellow Mustard	Large Kabuli Chick Peas	Desi Chick Peas
Variable Costs ^{3/}				\$/ha			
Seed (inc. treatment)	24.99	27.84	17.13	87.57	36.96	187.29	68.80
Fertilizer	46.19	46.19	46.19	20.50	53.35	20.50	20.50
Chemicals	47.06	47.85	42.45	88.55	52.00	132.87	75.53
Fuel	23.22	23.22	23.22	27.17	24.38	25.54	25.54
Repairs	17.98	17.98	17.98	22.48	17.98	26.82	26.82
Crop Insurance	6.40	7.19	4.32	8.57	13.54	33.89	25.89
Interest	4.32	4.41	5.48	4.05	5.11	10.77	6.23
Other	7.13	7.13	6.38	7.13	7.13	7.13	7.13
Total Variable Costs	177.28	181.80	163.15	266.02	210.45	444.81	256.44
Projected Returns ^{2/}	1 CWRS*	1 CWAD*	1 CW	1 CAN	1 CAN	2 CW	2 CW
Projected Yield (t/ha)	1.67	1.63	2.01	0.90	0.70	1.00	1.20
Projected Price (\$/t)	155.00	153.00	90.00	395.00	385.00	495.00	265.00
Projected Revenue	258.85	249.39	180.90	355.50	269.50	495.00	318.00
Net Return (\$/ha)	81.57	67.59	17.75	89.48	59.05	50.19	61.56

SASKATCHEWAN: Black Soil Zone - conventional seeded stubble

	Spring Wheat	2 Row Malting Barley	Feed Barley ^{4/}	Oats	Dry Peas	Flaxseed	Canola
Variable Costs ^{3/}				\$/ha			
Seed (inc. treatment)	27.17	18.83	18.83	15.00	53.94	20.10	50.79
Fertilizer	63.73	63.73	63.73	63.73	20.50	63.73	78.05
Chemicals	63.19	53.69	53.69	35.10	65.73	64.47	62.86
Fuel	23.22	23.22	23.22	24.70	25.54	25.54	24.38
Repairs	23.73	23.73	23.73	19.98	33.72	28.47	23.73
Crop Insurance	8.82	8.18	8.18	4.10	9.51	11.16	10.65
Interest	5.48	5.03	5.03	6.20	5.46	5.58	6.51
Other	10.73	10.73	10.73	10.73	10.73	10.73	10.73
Total Variable Costs	226.06	207.13	207.13	179.54	225.13	229.78	267.70
Projected Returns ^{2/}	2 CWRS*	SS2R	1 CW	3 CW	2 CAN	2 CW	1 CW
Projected Yield (t/ha)	2.09	2.63	2.86	2.37	1.85	1.20	1.26
Projected Price (\$/t)	147.00	151.00	90.00	115.00	165.00	315.00	340.00
Projected Revenue	307.23	397.13	257.22	272.90	305.25	378.63	428.40
Net Return (\$/ha)	81.17	190.00	50.09	93.36	80.12	148.85	160.70

Totals may not add due to rounding

^{1/} AAFC forecast based on 2003 Manitoba Agriculture variable costs

^{3/} AAFC based on 2003 Saskatchewan Agriculture and Food variable costs

* Wheat: 13.5% protein / Durum: 12.5% protein

^{2/} AAFC forecast, January 2004

^{4/} Off-Broad

CANADA: AREA SEEDED 2004-2005

CROP BUDGETS

ALBERTA: Brown Soil Zone - stubble

	Spring Wheat	Durum Wheat	Feed Barley ^{4/}	Argentine Canola	Large Green Lentils	Large Kabuli Chick Peas
Variable Costs^{1/}	\$/ha					
Seed (inc. treatment)	20.60	26.23	17.48	29.97	62.43	162.32
Fertilizer	51.01	51.01	51.01	38.04	14.33	14.33
Chemicals	59.21	59.21	30.23	55.42	74.32	74.32
Fuel	20.82	15.56	15.56	15.56	15.56	15.56
Repairs	15.61	15.61	15.61	15.61	18.11	18.11
Crop Insurance	8.05	9.56	8.57	11.12	17.04	18.53
Interest	4.77	4.77	4.77	5.97	5.97	5.97
Other	2.48	2.48	2.48	2.48	2.48	2.48
Total Variable Costs	182.55	184.43	145.71	174.16	210.24	311.61
Projected Returns^{2/}	1 CWRS*	1 CWAD*	1 CW	1 CAN	1 CAN	2 CW
Projected Yield (t/ha)	1.42	1.72	1.91	1.01	0.85	1.00
Projected Price (\$/t)	162.00	155.00	100.00	345.00	400.00	495.00
Projected Revenue (\$/ha)	229.88	266.29	191.00	348.45	340.00	495.00
Net Return (\$/ha)	47.33	81.86	45.29	174.29	129.76	183.39

ALBERTA: Black Soil Zone - stubble

	Spring Wheat	CPS Wheat	Feed Barley ^{4/}	Oats	Dry Peas	Argentine Canola
Variable Costs^{1/}	\$/ha					
Seed (inc. treatment)	31.22	37.46	24.97	24.97	74.92	44.95
Fertilizer	87.56	87.56	85.09	87.56	29.76	110.41
Chemicals	62.98	62.98	55.42	23.94	68.02	80.62
Fuel	23.34	23.34	23.34	23.34	23.34	23.34
Repairs	31.17	31.17	31.17	31.17	33.76	31.17
Crop Insurance	10.40	9.88	10.50	10.03	17.39	16.01
Interest	4.77	4.77	4.77	4.77	4.77	5.97
Other	2.47	2.48	2.48	2.48	2.48	2.48
Total Variable Costs	253.91	259.64	237.74	208.26	254.44	314.95
Projected Returns^{2/}	2 CWRS*	1 CPS	1 CW	3 CW	2 CAN	1 CAN
Projected Yield (t/ha)	2.49	3.30	3.23	2.43	2.25	1.39
Projected Price (\$/t)	155.00	125.00	100.00	115.00	175.00	345.00
Projected Revenue (\$/ha)	385.95	412.50	323.10	279.34	393.75	479.55
Net Return (\$/ha)	132.04	152.86	85.36	71.07	139.31	164.60

Ontario: - conventional seeded

	SWW Wheat	HRW Wheat	Feed Barley	Grain Corn	Soybeans	White Pea Beans
Variable Costs^{3/}	\$/ha					
Seed (inc. treatment)	86.40	120.87	76.54	126.12	99.02	134.85
Fertilizer	116.09	147.95	158.20	189.08	43.23	63.23
Chemicals	33.38	33.38	93.21	103.92	98.25	163.75
Fuel	16.55	16.55	35.94	23.59	16.55	34.58
Repairs	37.34	37.34	52.56	39.33	37.34	39.33
Crop Insurance	18.40	18.40	11.12	28.65	26.18	58.42
Interest	14.31	22.42	11.21	20.03	9.78	13.35
Other (includes drying)	4.83	4.02	n/a	46.52	6.93	9.74
Total Variable Costs	327.30	400.93	438.78	577.24	337.28	517.25
Projected Returns^{2/}	1 CEWW	1 CERW* 11.5	Feed	2 CE	2 CAN	1 CAN
Projected Yield (t/ha)	4.90	4.30	3.30	7.50	2.50	1.80
Projected Price (\$/t)	150.00	160.00	95.00	135.00	340.00	540.00
Projected Revenue (\$/ha)	735.00	688.00	313.50	1,012.50	850.00	972.00
Net Return (\$/ha)	407.70	287.07	-125.28	435.26	512.72	454.75

Totals may not add due to rounding

^{1/} AAFC based on 2003 Alberta Agriculture, Food and Rural Development variable costs

^{3/} AAFC forecast based on 2003 Ontario Ministry of Agriculture, Food and Rural Affairs costs

^{2/} AAFC forecast, January 2004

^{4/} Off-Board

* CWRS: 13.5% protein / 1CWAD: 12.5% protein / 1 CERW 11.5% protein

B. CASH PRICES AND REPLACEMENT VALUES

January 26, 2004

PRAIRIE GRAINS

Selected Points	Price Basis		This week 26-Jan-04	Last week 12-Jan-04	Month ago 29-Dec-03	Year ago 27-Jan-03
From: Thunder Bay(WCE) (2)	In-Store	Wheat	160.00	161.00	159.80	195.00
(CBOT)		Oat	158.25	155.00	143.50	204.25
(Lethbridge)		Barley	126.00	129.00	130.00	176.00
To: Bayport, ON (1)	In-store	Wheat	183.61	184.61	183.41	218.61
		Oat	N/A	N/A	N/A	N/A
		Barley	153.39	156.39	157.39	203.39
Montreal, QC (1)	In-store	Wheat	188.03	189.03	187.83	223.03
		Oat	N/A	N/A	N/A	N/A
		Barley	158.31	161.31	162.31	208.31
Moncton, NB	Truck via Halifax	Wheat	210.25	211.25	210.05	245.25
		Oat	N/A	N/A	N/A	N/A
		Barley	182.50	185.50	186.50	232.50
Truro, NS	Truck via Halifax	Wheat	204.22	205.22	204.02	239.22
		Oat	N/A	N/A	N/A	N/A
		Barley	180.00	183.00	184.00	230.00
Halifax, NS (1)	In-store	Wheat	195.28	196.28	195.08	230.28
		Oat	N/A	N/A	N/A	N/A
		Barley	166.30	169.30	170.30	216.30
Stephenville, NL	Track / Truck via Sydney	Wheat	258.63	259.63	258.43	293.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 26-Jan-04	Last week 12-Jan-04	Month ago 29-Dec-03	Year ago 27-Jan-03
Corn						
From: US Lake Port	On Board Vessel		144.09	126.41	126.29	157.46
To: Montreal, QC (1)	In-store		163.13	145.45	145.33	176.50
From: Chicago (Mi)	Track		143.06	128.91	128.87	151.23
To: Montreal, QC	Track		171.92	157.77	157.73	180.09
From: Chatham, ON	Track		152.39	139.25	135.43	159.64
To: Montreal, QC	Track		176.26	163.12	159.30	183.44

Soymeal 48% Protein

From: Hamilton, ON			358.30	319.30	341.70	297.73
To: Montreal, QC	Track		382.63	343.63	366.03	322.06
Moncton, NB	Track		401.38	362.38	384.78	340.81
Truro, NS	Track		404.60	365.60	388.00	344.03
Stephenville, NL	Track / Truck via Sydney		453.23	414.23	436.63	392.66

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

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Bi-weekly Bulletin

February 6, 2004 Volume 17 Number 3

CANADA: AREA SEEDED FOR 2004-2005

Expected net returns, derived from projected prices, yields, and variable costs of production, exert a major influence on seeding decisions. Current prices, soil moisture conditions during seeding time, expected delivery opportunities, cash flow and crop rotation requirements, potential disease and pest problems, and on-farm stocks are also very important factors which will affect seeding decisions. In 2004-2005, prices for almost all crops are expected to decline from the previous year due to the appreciation of the Canadian dollar, and an expected return to near normal growing conditions and yields in Canada and the major global exporting nations. In western Canada, areas seeded to durum, canola and flaxseed are expected to increase while the areas for spring wheat, barley, oats, most pulse and special crops and summerfallow should decrease. In eastern Canada, higher area seeded to corn and soybeans is expected to be partly offset by lower area seeded to winter wheat. This issue of the *Bi-weekly Bulletin* examines the net returns and area seeded for grains, oilseeds, pulse and special crops in Canada.

Background

Expected returns are an important factor affecting cropping decisions. Returns, net of variable or operating costs, affect short-term cropping decisions, while returns, net of total costs (fixed and variable), influence long-term decisions, such as rotation patterns and entry into, or exit from the industry. Variable costs change with the type of crop grown, while fixed costs vary little with the type of crop. Fixed costs such as land rental, property taxes, hired labour and machinery depreciation, as well as the value of a farmer's own labour, are not included in this analysis.

The costs and revenue forecasts in this bulletin are intended to illustrate how expected net returns can be used to decide which crops may be the most profitable. Producers must consider their own costs, yields and expected commodity prices, as large variations do exist between producers and throughout the growing season.

As each province's agriculture department uses a different methodology, the crop budgets are not comparable across provinces. Saskatchewan

Agriculture, Food and Rural Revitalization provides crop budgets for crops seeded to fallow and stubble land in the brown, dark brown and black soil zones. Alberta Agriculture, Food and Rural Development (AAFRD) provide budgets for crops seeded to fallow and stubble in the brown, and dark brown soil zones. For the black and grey soil zones, AAFRD provides budgets for only the crops seeded to stubble. Manitoba Agriculture provides average crop budgets which do not differentiate between fallow and stubble as most Manitoba crops are grown on stubble. The Ontario Ministry of Agriculture and Food provides average crop budgets on various tillage systems.

Productivity in western Canada is related to soil type. For example, the brown soil in the semi-arid region of the Prairies is subject to wide variations in crop yields and is more subject to drought than the dark brown soil zone. The black soil zone is located in a higher moisture region and has better moisture retention characteristics than the brown soil zone, resulting in higher average yields. This zone is rarely subject to drought. The grey soil zone, extending into the northern regions of the Prairies, is

characterized by higher moisture levels, cooler temperatures, and a shorter growing season. Climatic conditions also influence the susceptibility of crops to disease and pest infestations, requiring different combinations and levels of herbicides and pesticides.

PRICE FORECASTS

Price forecasts can vary considerably as a result of unpredictable weather in Canada or major importing or exporting countries and other changes in market factors.

YIELD FORECASTS

Average provincial yields have been forecast by AAFC, using trend analysis. Adjustments for soil zone are based on historical data from Statistics Canada. Adjustments to a 'stubble' basis were based on provincial data. Actual yields can vary greatly due to factors such as weather, disease, pests or input use.

For 2004-2005, AAFC average expected yields are assumed to be slightly below trend for all wheat, coarse grains and oilseeds and mostly below trend for pulse

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Canada

and special crops. Despite the current below average precipitation levels that exist in about 65% of western Canada's area, normal precipitation levels are assumed during the 2004 growing season.

Again during the 2004 growing season, yields will be dependant upon timely rains as sub-soil conditions in areas currently in drought remain well below normal levels. Drought areas and their severity have significantly increased compared to a year ago in Saskatchewan and Alberta. Precipitation levels in 2003 were not sufficient to have supported a full drought recovery, and as a result livestock feed, and dugout water supply problems could likely be experienced again in 2004 if conditions are very hot and dry.

Grasshopper infestation during the summer of 2003 was considered severe, causing considerable crop losses for farmers and increased costs for pesticides. Areas with the highest levels of infestation were east-central and south eastern Alberta, south west Saskatchewan and south west Manitoba. The extent and timing of dry weather during the last four years has provided ideal breeding conditions for grasshoppers. As a result of the warm sunny conditions during the late 2003 summer, grasshopper infestations could again become an increasingly significant pest particularly if dry conditions are experienced during the June hatch. Environment Canada's spring forecast calls for below normal precipitation in Alberta, normal precipitation in

about US\$5.80/MBtu, 1 tonne of nitrogen fertilizer will cost about US\$220 to produce {33.5 MBtu x \$5.80 + \$25 (fixed cost)} compared to about US\$260 in 2003 and US\$136 in 2002.

Lower natural gas prices compared to last year will ensure that fertilizer supplies will be sufficient because lower natural gas prices relative to last year have returned some fertilizer plants back to profitability but others remain closed. Offshore nitrogen imports through the US Gulf ports are expected to remain at high levels. Tight North American supplies are expected to keep natural gas prices relatively high especially if a cold winter occurs. Because of lower natural gas supplies and expected higher seeded and harvest areas, most analysts expect nitrogen fertilizer prices to remain at current levels in the short-term. Higher fertilizer prices have been offset by a higher Canadian dollar.

Farm Fuel

Strong global demand, uncertainty surrounding Iraq's ability to produce sufficient oil in the short-term and smaller US reserves, compounded by the Organization of the Petroleum Exporting Countries' success in controlling supply, have driven oil prices to near US\$34/barrel. Farm fuel prices are expected to be near 2003 levels, however, continued strong global demand with an expected recovery in the US economy may drive oil prices higher. As a result, farm fuel prices may be higher in 2004 compared to 2003.

Herbicides and Pesticides

Herbicide use in 2004 will vary greatly depending on the crop seeded and by the growing conditions. For the majority of crops, use is expected to rise modestly over 2003 due to a larger harvested area and anticipated pest problems. As a result, prices are expected to be slightly higher than last year.

In central areas of western Canada, pesticide use is likely to be higher than normal to combat the probability of higher levels of grasshoppers in Alberta and Manitoba, especially if conditions remain dry. Expected increases in grasshopper populations will increase the economic

CANADA: AREA SEEDED

	2003	2004f	Change
.....kha.....			%
Winter Wheat	668	602	-9.8%
Durum	2,483	2,585	4.1%
Spring Wheat	<u>7,512</u>	<u>7,205</u>	-4.1%
All Wheat	10,662	10,392	-2.5%
Barley	5,046	4,922	-2.5%
Corn	1,265	1,329	5.1%
Oats	2,272	2,235	-1.6%
Rye	246	262	6.3%
Mixed Grain	<u>241</u>	<u>234</u>	-2.7%
Coarse Grains	9,070	8,982	-1.0%
Canola	4,736	5,167	9.1%
Flaxseed	745	812	9.1%
Soybeans	<u>1,051</u>	<u>1,098</u>	4.5%
Oilseeds	6,532	7,077	8.4%
Dry Peas	1,303	1,238	-5.0%
White Pea Beans	68	72	5.3%
Coloured Beans	99	94	-4.9%
Lentils	554	582	5.0%
Mustard Seed	340	272	-20.0%
Sunflower Seed	119	108	-8.9%
Canary Seed	251	251	0.0%
Chick Peas	63	63	0.0%
Buckwheat	<u>9</u>	<u>9</u>	0.0%
Pulse and Special Crops	2,806	2,689	-4.2%
Summerfallow	3,607	3,446	-4.5%

The sum of individual commodities may not equal totals due to rounding.

f: forecast, AAFC, January 2004

Source: Statistics Canada

Saskatchewan and above normal in Manitoba. For the growing season, north-western Alberta and northern Manitoba are expected to receive below normal precipitation with southern Alberta, most of Saskatchewan and southern Manitoba experiencing normal precipitation.

In Ontario and Quebec good precipitation levels during the fall of 2003 has returned soil moisture conditions to above average levels and has eliminated any dryness concerns that were experienced during the growing season. Environment Canada's June - August forecast is predicting above normal precipitation for these provinces.

EXPENSES

Fertilizer Costs

Fertilizer costs are a significant factor in seeding decisions. Natural gas is the primary raw material required for the production of ammonia, which is the foundation for virtually all forms of nitrogen fertilizer. The average North American ammonia factory requires about 33.5 million British thermal units (MBtu) to produce 1 tonne of ammonia. Natural gas costs are currently about US\$5.80/MBtu compared with about US\$7.00/MBtu in 2003 and about US\$3.30/MBtu in 2002. With natural gas priced at

thresholds at which it is financially beneficial to spray crops. While economic thresholds vary from crop to crop and with various crop stages, for cereal crops it will generally be financially beneficial to spray when eight or more grasshoppers per square metre ($/m^2$) are present. For crops such as lentils, as few as $2/m^2$ during emergence or the critical pudding stage is enough to require control.

Seed

The cost of seed is expected to increase marginally in 2004 for almost all crops. However seed costs when compared to 2003 are expected to vary considerably. This variability is expected to be higher for crops such as canola seed, to lower for crops such as wheat and oats.

Crop Insurance

Crop insurance costs in 2004 are expected to be the same as in 2003, due to a significant reduction in crop claims. However, rates will vary depending on the province and crop seeded.

CROP BUDGETS: PRAIRIE PROVINCES

There are significant differences in the variable costs between provinces and soil zones. Variations in costs for seed (including treatment), fertilizer and pesticides can account for 60% and more of the variation in total cost.

Comparing budgets across the provinces, custom work costs for western Canada have been included in the chemical costs, while for Ontario, custom work costs have been added to chemical and fertilizer costs. The 'other' cost category is used to assign a value to overhead expenses such as utilities. In Ontario, other costs include marketing fees and drying. The cost of management and/or owner/operator labour has not been included in the budgets.

In **Manitoba**, the highest projected net returns are for confectionary sunflower seed, canola, flaxseed, oats, and dry peas. Net returns are forecast to be the lowest for Canada Western Red Spring (CWRS) wheat and feed barley

due to higher costs and lower expected prices in 2004-2005.

In the **Saskatchewan brown soil zone**, the highest net returns are for large green lentils, CWRS wheat, desi chick peas, and durum. Yellow mustard seed, large kabuli chick peas, and feed barley are expected to provide the lowest net return per hectare. In the **black soil zone**, malting barley (Special Select 2 Row - SS2R) is expected to provide the highest potential net return, followed by canola, flaxseed, oats, dry peas, CWRS wheat and feed barley.

In the **Alberta brown soil zone**, the potential net returns for large kabuli chick peas, canola and large green lentils are the highest. The lowest prospects for net returns are durum, feed barley and CWRS wheat. In the **black soil zone**, Argentine canola, Canada Prairie Spring (CPS) wheat, dry peas and CWRS wheat will provide the highest net returns. Feed barley and oats are expected to have more modest net returns.

In **Ontario**, soybeans are expected to have the highest net return due to strong prices. Net returns from white pea beans, grain corn, Soft White Winter (SWW) wheat, and Hard Red Winter (HRW) wheat are also expected to be high. Returns for feed barley are expected to be very low; however most of this crop is used on farm for feeding so that market price is less of a factor in planting decisions.

AREA SHIFTS

In western Canada, area seeded to winter wheat, durum, corn, lentils and oilseeds is expected to increase. The area seeded to spring wheat, oats, barley and most pulse and special crops is expected to decline. In eastern Canada, the significant increase in area seeded to corn and soybeans is mostly offset by lower area seeded to winter and spring wheat.

In western Canada, **all wheat** area is forecast to decrease. **Spring wheat** area is forecast to decrease to 7.1 million hectares (Mha) in 2004 from 7.4 Mha, due to lower forecast prices. Prices are

expected to be pressured by a 23% increase in the five major exporting countries wheat stocks. Despite lower prices and returns expected in 2004-2005, area seeded to spring wheat in western Canada is expected to stay above 27% of total area seeded because of crop rotation considerations and due to the dryness in the western prairies. Area seeded to **durum** is expected to increase by about 4% due to the higher returns when compared with wheat. The CWB pool returns are forecasted to provide a price premium for No.1 Canada Western Amber Durum (CWAD) 12.5% protein, compared to No.1 Canada Western Red Spring (CWRS) 12.5% protein of \$10 per tonne (t) in 2004-2005 versus \$20/t for 2003-2004.

Area seeded to **barley** in western Canada is forecast to decrease 3% in 2004, to 4.6 Mha, due to a shift from grain to oilseed production. Off-board feed prices are expected to remain at 2003-2004 levels while malting barley returns are expected to be pressured by larger world supplies. Good returns from malting barley and barley's role as a good cash crop and as a major feed ingredient in western Canada will continue to ensure a large seeded area. However, despite the lower seeded area compared to 2003, in 2004 area seeded to barley is forecast to be above the 1994-2003 10-year average.

Area seeded to **oats** in western Canada is projected to decrease marginally to 2.1 Mha due to significantly lower prices and slightly higher supplies experienced in 2003-2004. A higher Canadian dollar and European oat export subsidies have also contributed to pressuring prices lower.

Area seeded to **canola** in western Canada, is projected to increase by 9% to 5.1 Mha due to higher net returns relative to alternative crops and to the strong prices in 2003-2004. Canola prices are forecast to fall from the high levels reached in 2002-2003 due to a stronger Canadian dollar and a return to normal yields in Canada and Australia. However, due to support from higher US soybean prices, canola prices are expected to remain relatively strong.

Flaxseed area is forecast to increase by about 9% to 0.8 Mha in 2004 due to good prices in 2003-2004 and relatively good projected net returns for 2004-2005. Prices are expected to be pressured by a higher Canadian dollar and higher supplies.

Pulse and Special Crops

In western Canada, area seeded to pulse and special crops in 2004 is expected to decrease by about 4% to 2.63 Mha due to lower expected net returns than for competing crops or higher production risks compared to other crops. Area seeded to **mustard seed** is expected to decrease by about 20%, while for **canary seed** area seeded is forecast to be the same as 2003. Lower **mustard seed** prices for all types are expected due to increased supplies. **Canary seed** prices are expected to decrease due to increased supplies. **Dry pea** area is expected to decrease by 5% to 1.24 Mha. Supplies are expected to increase due to higher yields. Prices are expected to be lower due to the higher supply. **Chick pea** area is forecast to remain unchanged. Prices for 2004-2005 are expected to increase modestly due to lower supply. The area seeded to **lentils** is expected to increase by about 5%. Prices are expected to decrease due to higher production and supply.

Summerfallow area has been steadily declining since 1988, reaching a low of 3.61 Mha in 2003, because new technology, especially herbicide, has allowed for continuous cropping. Also, the increased availability of alternative crops, some of which are nitrogen-fixing, and the use of crop rotation, has decreased the producers' reliance on summerfallow. Summerfallow area in 2004 is expected to reach a record low of 3.45 Mha. However, excessively dry conditions in the spring, coupled with expectations for higher input cost, may increase summerfallow area. With expectations for commodity prices to decline, many farmers may take marginal land out of production, especially in areas where there is little moisture. Current 2003-2004 crop year precipitation levels

indicate that about two-thirds of the area in western Canada has received between 60-85% of normal precipitation levels. Below normal precipitation levels will increase the need for timely rain during spring for seeding and proper germination. Forecasts from Environment Canada predict below normal precipitation levels for the spring of 2004 for most of Alberta and western Saskatchewan with above normal amounts in Manitoba. Should this scenario occur it is likely that Alberta and parts of Saskatchewan will again be in a drought risk situation.

Ontario

Area seeded to **winter wheat** in the fall of 2003, estimated by Statistics Canada at 0.3 Mha, is down about 25% from the record seeded area in 2002. A delayed soybean harvest in 2003 and wet conditions in the fall constrained additional seeded area. Winter wheat is a rotational crop and a source of cash during the summer for many Ontario farmers, with seeded area largely dependent on fall seeding conditions. Expected net returns for soybeans, white pea beans, corn and soft winter wheat are highest. Net returns for hard red winter wheat are also good.

Area seeded to **corn** is expected to increase by over 7% to 0.78 Mha in 2004 due to lower area seeded to winter wheat. Despite an expected 7% higher seeded area, production is forecast to increase marginally due to lower yields. Average prices in 2004-2005 are expected to remain unchanged at \$110-140/t (No.2 Canada Eastern cash in-store, Chatham) as expected higher US prices will be offset by a stronger Canadian dollar.

Area seeded to **soybeans** in Ontario is expected to increase by about 2% due to the decline in area seeded to winter wheat. Production is expected to increase almost 19% because of an expansion in harvested area and a return to near normal yields. Prices for soybeans are expected to decline by \$55/t to an average price of about

\$280/t (in store Chatham), due to higher soybean production in the US and a strengthening of the Canadian/US exchange rate. Despite the decline in prices, soybean net returns are expected to be higher than for corn. This is a return to a trend that prior to last year extended for over six years.

The area seeded to **white pea beans** in Canada is expected to increase by just over 5% in 2004. Area seeded to white pea beans is relatively small, due to higher production risk. Despite the higher seeded area in Canada, white pea bean production is forecast to fall due to lower yields and supplies are forecast to decrease. **Coloured bean** area is expected to decrease by about 5%. Lower supplies, as a result of lower yields, are expected to support higher prices for all classes of dry beans.

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THE UNITED STATES CANOLA INDUSTRY: SITUATION AND OUTLOOK

Canola production in the United States (U.S.) has more than tripled during the past decade. However, the U.S. continues to be an important market for Canadian canola seed and its products. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for the U.S. canola industry, with possible implications for Canada's canola industry.

Background

Canola/rapeseed is the second largest oilseed crop in the world. However, during the 2001-2002 and 2002-2003 crop years, it slipped into third place due to drought in the major canola producing regions of the world.

China, India, Canada and Australia, in that order, are the largest producers of canola/rapeseed. In terms of world trade, Canada and Australia are the major exporting countries while Japan and Mexico are the major importers of canola seed. World trade in canola seed alone is estimated to be worth CAN\$2 billion (G), of which well over CAN\$1G is of Canadian origin.

Canola was developed in Canada by selective breeding of rapeseed to reduce the levels of erucic acid in the oil and glucosinolates in the meal. In January 1985, the U.S. Food and Drug Administration approved the use of low erucic acid rapeseed, or canola, for human consumption. That year, consumption of canola oil in the U.S. nearly tripled from the previous year, and doubled the following year. Consumption of canola oil has increased rapidly because it has the distinction of having the lowest concentration of saturated fatty acids of all eight major vegetable oils. The recognized health benefits of canola oil in human diets continue to drive its consumption. To keep up with strong demand, world canola production has

more than doubled over the past decade, and crushing capacity has increased proportionately.

Accordingly, the U.S. canola industry has grown to keep up with the demand for canola products, namely the edible oil and protein meal used for animal feed. During the past decade, U.S. canola seed production has more than tripled and canola crushing has increased by more than 60%.

By increasing canola production, the U.S. has become more self-sufficient. Nevertheless, the U.S. continues to require imports of canola seed and its products. Currently, the U.S. is seventh largest in the world in terms of both canola production and processing, up from ninth and eighth standing one decade ago, respectively.

Seeding Decisions

Seeding decisions are largely based on expected commodity prices, costs of production, farm support programs, and rotational constraints. In the northern states, planting data for the past decade show a slight shift out of more traditional crops into minor crops such as canola. That shift may, in part, be due to the incidence of fusarium head blight, which has

**WORLD: CANOLA/RAPESEED
SUPPLY AND DISPOSITION**

June-May crop year	2001 -2002	2002 -2003	2003 -2004
.....million tonnes.....			
Carry-in Stocks	2.66	2.70	1.84
Production	36.09	32.46	38.01
Imports	5.64	4.56	5.19
Total Supply	44.39	39.72	45.04
Crush	33.20	31.24	35.40
Exports	5.84	4.69	5.42
Other Use	2.65	1.95	2.47
Total Consumption	41.69	37.88	43.29
Carry-out Stocks	2.70	1.84	1.75

Source: USDA, FAS

Canada

affected average yields and the quality of North Dakota's wheat and barley crops during the past decade. Crops such as canola provide U.S. farmers with the opportunity to diversify and improve earnings, while minimizing some disease pressures.

U.S. Canola Production

North Dakota, predominantly in the north eastern part of the state, accounts for about 90% of total U.S. canola production, with smaller amounts grown in Minnesota and a few other states (e.g. Michigan). Canola can be grown in most soil types, but it is best suited to well-drained and non-crusting loam soils. The canola plant is susceptible to sclerotinia wilt, especially during periods of high humidity and reduced air movement, so crop rotations are an important consideration. Farmers typically grow a cereal crop following a year of canola production, but some farmers refrain from growing canola in the same field for up to four years in order to avoid disease pressures.

U.S. Farm Policy

The *Farm Security and Rural Investment Act* (FSRIA) of 2002 replaced the *Federal Agricultural Improvement and Reform Act* (FAIR) of 1996, but continues to provide the same planting flexibility, fixed payments, and marketing loan programs as its predecessor. A major difference is that the FSRIA has a counter-cyclical feature that is tied to market prices. This feature provides additional support during years of low prices instead of relying on emergency federal funding.

For minor oilseeds such as canola, the FSRIA increased the loan rate and, for the first time, oilseeds were included in the direct payment program. Direct payments are calculated as follows: base acres multiplied by 0.85; multiplied by the payment crop yield; multiplied by the direct payment rate for the commodity.

Counter-cyclical payment rates are calculated by subtracting the direct payment rate and the loan rate (or the national average marketing year price, if higher than the loan rate) from the target price. The counter-cyclical payment is then calculated as

follows: base acres multiplied by 0.85; multiplied by the payment crop yield; multiplied by the counter-cyclical payment rate for the commodity.

Under the FSRIA, the loan rate for minor oilseeds is scheduled to decrease from US\$0.096 per pound (/lb) for fiscal years 2002 and 2003, to US\$0.093/lb for 2004-2007. At the same time, the target price will increase from US\$0.098/lb, to US\$0.101/lb, increasing the potential for higher counter-cyclical payments during the upcoming 2004-2007 period.

To date, about 90% of the 2003-2004 canola crop is under the Loan Deficiency Payment Program, averaging US\$0.52 per hundredweight.

U.S. Canola Crushing Industry

Oilseed crushing facilities are typically located close to the major growing regions in order to minimize transportation and handling costs. With canola production concentrated in the northernmost part of North Dakota, a crushing plant in Velva, North Dakota is similar in size to the one in Altona, Manitoba which crushes about 1,000 tonnes per day. In addition, there are multi-seed crushing plants located in West Fargo and Enderlin, North Dakota, and Culbertson, Montana.

The economics of canola crushing in North America are such that the bulk of this capacity is located outside the U.S. This is evident in a number of U.S.-owned crushing plants being located in Canada. There are distinct advantages to being located close to the largest available stocks of canola seed, and a favourable Canada/U.S. exchange rate has encouraged the use of Canadian crushing facilities to meet U. S. demand for canola oil.

U.S.: CANOLA SEED SUPPLY AND DISPOSITION				
June-May crop year	2001 -2002	2002 -2003	2003 -2004f	2004 -2005f
	.....thousand tonnes.....			
Carry-in Stocks	39	68	72	65
Production	908	706	686	650
Imports	125	197	290	300
Total Supply	1,072	971	1,048	1,015
Crush	757	587	764	700
Exports	218	284	195	225
Other Use	29	28	24	30
Total Use	1,004	899	983	955
Carry-out Stocks	68	72	65	60
Area Seeded (kha)	605	612	454	450
Area Harvested (kha)	589	516	433	415
Yield (k/ha)	1.54	1.37	1.58	1.57
Average Farm Price (US\$/t)	193	234	279	255

f: forecast, AAFC, February 2004

Source: USDA, FAS, ERS

Trade Patterns

Canada is the largest exporter of canola seed, canola oil and canola meal to the U.S. For the past decade, the value of that trade has averaged CAN\$0.7G, peaking at nearly CAN\$1.0G in 1997-1998. Canola oil is the largest single component of this trade between Canada and the U.S. and it is estimated at CAN\$0.3G annually. At the same time, the U.S. imports about CAN\$0.2G worth of Canadian canola meal.

The U.S. imported about 0.2 million tonnes (Mt) of canola seed from Canada in 2002-2003. The U.S. imports about 0.4 Mt of canola oil from Canada. U.S. exports of canola oil, on the other hand, are relatively small, averaging about 0.1 Mt per year. The U.S. also imports about 1.0 Mt of canola meal annually, virtually all of it from Canada. U.S. exports of canola meal are negligible.

Next Generation Canola

High oleic canola, under development since the 1980s, yields an oil product that is more stable than conventional canola oil. Increased oleic fatty acid triples the frying life of conventional canola oil, avoiding the need for hydrogenation.

Hydrogenation is normally used to increase the stability of vegetable oils but it can change the molecular structure in such a way as to create trans-fatty acid. Trans-fatty acids are similar to saturated fatty acids in terms of stability but are considered undesirable for human consumption due to health risks.

High oleic canola is not expected to replace conventional canola oil in the salad oil market. It is, however, likely to see greater market acceptance in the frying and snack food markets due to its increased stability and because it helps individuals reduce levels of trans fatty acids in their diets.

High oleic canola, grown under contract for Cargill and Dow AgroSciences, is in the early stages of market development. However, in 2003-2004, it accounted for about 600,000 acres, or 5% of Canada's canola seeded area. The proportion of high oleic canola is expected to increase considerably in the next few years because of the large North American frying oil and snack food markets. The frying oil market is currently six to eight times the size of the salad oil market. The salad oil market, on the other hand, has not experienced much growth in recent years.

Nevertheless, conventional canola oil has done very well in the salad oil market due to the health benefits, relative to other vegetable oils. Canola oil has the lowest level of saturated fats and the highest levels of omega-3 fatty acid (linolenic) of the common vegetable oils. Linolenic acid in canola oil is recognized for lowering cholesterol, but its use is limited due to stability problems, particularly in frying applications.

U.S. SITUATION 2003-2004

In 2003-2004, the area seeded to canola in the U.S. decreased from 612,000 hectares (ha) in 2002-2003, to 454,000 ha. However, following a year of drought, yields improved sufficiently to partially offset the effects of a smaller seeded area. As a result, **canola seed** production is estimated at 686,000 tonnes (t), down from 706,000 t in 2002-2003. Canola supplies are higher for 2003-2004 and domestic crush is expected to increase by 30%, to 764,000 t. Exports are estimated at 195,000 t, down from 284,000 t in 2002-2003. Canada is the major market for U.S. canola exports. Carry-out stocks are estimated at 65,000 t, down marginally from the previous two years.

U.S.: CANOLA OIL SUPPLY AND DISPOSITION

<i>June-May crop year</i>	2001 -2002	2002 -2003	2003 -2004	2004 2005f
.....thousand tonnes.....				
Carry-in Stocks	51	24	38	25
Production	266	246	299	270
Imports	<u>503</u>	<u>445</u>	<u>600</u>	<u>600</u>
Total Supply	820	715	937	895
Food Use	665	589	822	750
Exports	116	73	75	100
Other Use	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>
Total Use	796	677	912	865
Carry-out Stocks	24	38	25	30

f: forecast, AAFC, February 2004

Source: USDA, FAS

U.S.: CANOLA MEAL SUPPLY AND DISPOSITION

<i>June-May crop year</i>	2001 -2002	2002 -2003	2003 -2004	2004 2005f
.....thousand tonnes.....				
Carry-in Stocks	5	5	5	5
Production	420	388	472	425
Imports	<u>836</u>	<u>919</u>	<u>1,155</u>	<u>1,100</u>
Total Supply	1,261	1,312	1,632	1,530
Feed Use	1,249	1,276	1,616	1,500
Exports	7	31	11	25
Other Use	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Use	1,256	1,307	1,627	1,525
Carry-out Stocks	5	5	5	5

f: forecast, AAFC, February 2004

Source: USDA, FAS

Canola oil production is estimated at 299,000 t, up from 246,000 t for 2002-2003, due largely to the increased availability of canola seed for crushing. Imports are estimated at a record 600,000 t due to a 40% increase in domestic consumption, estimated at 822,000 t.

U.S. consumption of **canola meal** increased steadily during the 1990s, peaking at 1.6 Mt in 1999-2000 when a near record 1.1 Mt of canola meal were imported from Canada. The U.S. continues to import more canola meal than it produces, primarily for use in the dairy sector. For 2003-2004, U.S. canola meal imports are estimated at 1.16 Mt, up from 0.92 Mt in 2002-2003.

2003-2004 Price Outlook

U.S. prices for canola seed, oil and meal are determined by several factors including demand, exchange rates of the major trading countries, weather conditions in the major rapeseed/canola growing regions of the world, and world prices for the major vegoils such as palm oil and soyoil. The latter, in turn, are determined by what happens in palm oil producing countries such as Malaysia and Indonesia, and major soybean producing countries such as the U.S., Brazil, and Argentina.

For 2003-2004, Agriculture and Agri-Food Canada's (AAFC) WCE cash price forecast for No.1 Canada canola is CAN\$375/t (l/s Vancouver), down from CAN\$415/t in 2002-2003. This is based on a projected U.S. soybean oil price of US\$0.29/lb, and an exchange rate of CAN\$1.30 = US\$1.00. Soybean product prices have been supported by the 12% decline in U.S. soybean production in 2003-2004 due to poor growing conditions.

OUTLOOK 2004-2005

For 2004-2005, area seeded to canola is projected at 450,000 ha, down marginally from 2003-2004. As a result, U.S. **canola seed** production for 2004-2005 is forecast at 650,000 t, down from 686,000 t in 2003-2004. Canola supplies are forecast to decrease marginally and meet demand for canola seed for crushing, which is forecast at 700,000 t. Imports, primarily from Canada, are projected at 300,000 t, up from 290,000 t in 2003-2004.

The issue of trans-fatty acids in human diets is expected to sustain good demand for **canola oil** for 2004-2005. Canola oil production is forecast at 270,000 t, down from 299,000 t in 2003-2004. To maintain adequate supplies of canola oil for the year, imports, primarily from Canada, are forecast at 600,000 t.

Canola meal production is forecast at 425,000 t, down from the record 472,000 t in 2003-2004, and feed use is forecast at a near-record 1.5 Mt.

Price Forecast

For 2004-2005, AAFC's price forecast for No.1 Canada canola is CAN\$325-365/t (l/s Vancouver), down from CAN\$375/t expected for 2003-2004. This is based on a projected U.S. soybean oil price of US\$0.26/lb and an exchange rate of CAN\$1.275 = US\$1.00. Although influenced by soybean prices, canola seed prices are largely dependent on world vegetable oil prices as canola contains about 40% oil, versus 20% for soybeans.

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CANADA: CANOLA EXPORTS TO THE U.S.			
August-July crop year	2001 -2002	2002 -2003	2003 -2004f
	.....thousand tonnes.....		
Canola Meal	791.7	826.6	1,200.0
Canola Oil	506.5	446.0	600.0
Canola Seed	87.6	194.8	250.0
f: forecast, AAFC, February 2004			
Source: Statistics Canada			



CANADA: GRAINS AND OILSEEDS OUTLOOK

February 13, 2004

For 2004-05, total production of grains and oilseeds in Canada is forecast by Agriculture and Agri-Food Canada (AAFC) to increase by 6%, to 63.0 million tonnes (Mt), well above the 10-year average of 58.5 Mt. In western Canada, seeded area is expected to shift out of spring wheat and coarse grains into oilseeds and durum wheat. In the east, a sharp drop in winter wheat area is forecast to be offset by an increase in corn and soybean area. In western Canada, production is forecast to increase to 47.7 Mt from 44.1 Mt in 2002-03, assuming normal growing conditions during 2004. At present, subsoil moisture across most of the Prairie provinces remains low. AAFC is forecasting slightly below trend yields in Saskatchewan and Alberta, although generally above 2003-04, with trend yields assumed for the rest of Canada. This forecast is tentative, and actual production will be highly dependent on timely spring and summer precipitation. Feed use projections are based on the assumption that the US border closure to Canadian cattle related to the bovine spongiform encephalopathy (BSE) cases will be resolved for the 2004-05 crop year.

Average world prices for grains and oilseeds are forecast to decrease from the 2003-04 level due to a return to normal production in the EU, Eastern Europe, Ukraine and Russia, with normal production expected in North and South America and Australia. In Canada, prices for all grains and oilseeds will also be pressured by the stronger Canadian dollar relative to the US dollar. The major factors to watch are: import demand from China, EU grain export policy, winter wheat production in the major winter wheat producing countries, developments regarding the cattle trade, ocean freight rates, and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2003-04, exports are forecast at 12.6 Mt, vs. 6.2 Mt in 2002-03, with a record 1.2 Mt from Ontario. Carry-out stocks are forecast to remain historically low, at 4.1 Mt.

For 2004-05, Canadian production is forecast to be relatively unchanged from 2003-04, at 19.2 Mt, with higher yields offsetting lower area. Western production is forecast to rise by 3%, due to improved yields, while Ontario production is expected to decline by 27%, due to lower area. Domestic use is expected to increase by 3%, with feed use rising to 3.3 Mt, but remaining below normal due to reduced hog feed demand, assuming normal crop quality. Exports are projected to decline slightly, with increased western exports more than offset by reduced Ontario exports. The Canadian Wheat Board (CWB) 2004-05 pool returns for No.1 CWRS 11.5% protein are forecast by AAFC at \$190/t, in-store Vancouver/ St. Lawrence (I/S VC/SL), \$8/t below the CWB Jan. 2003-04 Pool Return Outlook (PRO). Premiums for higher quality wheat are expected to rise, however, assuming a normal, lower quality, crop.

DURUM

For 2003-04, exports are forecast to rise by 15%, to 3.4 Mt. Carry-out stocks are projected to increase by 8%, to 1.8 Mt. For 2004-05, production is forecast to increase by 22%, due to increased area and improved yields. Total supplies are forecast at 7.0 Mt, vs. the 10-year average of 6.2 Mt. Exports are projected to be unchanged at 3.4 Mt, however, with increased demand from North Africa offset by increased EU production and exports. Carry-out stocks are forecast to rise by a further 50%, to a near-record 2.7 Mt. The CWB may have to restrict durum deliveries, and farm stocks are forecast to more than double, to 1.3 Mt. CWB pool returns for No.1 CWAD 11.5% protein are forecast by AAFC at \$190/t, I/S VC/SL, down by \$19/t from 2003-04. The premium for No.1 CWAD 11.5% over No.1 CWRS 11.5% is projected to fall to zero, making 2004-05 the first year since 1990-91 with no durum premium.

BARLEY

For 2003-04, exports are forecast at 2.8 Mt, vs. 0.9 Mt in 2002-03. Carry-out stocks are forecast to increase by 18%, to 1.7 Mt.

For 2004-05, production is forecast to increase by 8%, as higher yields more than offset lower area. Total supplies are expected to rise to 15.0 Mt from 13.8 Mt in 2003-04. Domestic use is forecast to increase by 11% due to increased feed demand. Exports are projected to decline slightly, to 2.75 Mt. Carry-out stocks are expected to rise to 1.9 Mt from 1.7 Mt for 2003-04. Off-Board feed barley prices are forecast at \$125/t, the same as for 2003-04. The CWB 2004-05 pool returns for No.1 CW Feed barley are forecast by AAFC at \$150/t, I/S VC/SL, vs the Jan. 2003-04 PRO of \$158/t. CWB pool returns for Special Select Two Row designated barley are forecast at \$190/t, vs the Jan. 2003-04 PRO of \$197/t, as a result of increased world barley supplies.

OATS

For 2003-04, exports are forecast to rise by 35%, to 1.6 Mt. Carry-out stocks are projected to increase by 16%, to 0.7 Mt. For 2004-05, production is forecast to increase by 10%, due to higher yields and lower abandonment. Supplies are expected to rise by 11%, to 4.7 Mt. Domestic use is forecast to increase to 2.2 Mt. Exports, mainly to the US, are forecast to rise by 6%, due to increased supplies and stronger US demand. Carry-out stocks are expected to rise by 23%, to 0.8 Mt. Chicago prices are forecast at C\$130/t, the same as 2003-04.

CORN

For 2003-04, imports are forecast to drop by 62%, to 1.5 Mt and carry-out stocks are expected to decline marginally to 1.1 Mt. For 2004-05, production is forecast to rise slightly to 9.7 Mt, as lower yields offset higher harvested area. Imports are forecast to rise by 13% to 1.7 Mt. Carry-out stocks are forecast to drop by 10% to 1.0 Mt. The average Chatham price is forecast to average \$125/t, down \$5/t.

CANOLA

For 2003-04, exports are forecast to rise by 46% to 3.5 Mt. Carry-out stocks are expected to decline by 5% to 0.85 Mt. For 2004-05, production is forecast to rise

by 7% to 7.1 Mt due to increased seeded area. Supplies are expected to rise to 8.2 Mt, vs 7.8 Mt in 2003-04. Domestic crush is forecast to rise by 3% to 3.2 Mt, due to high veg-oil prices. Exports are projected to increase by 6%, to 3.7 Mt, due to higher shipments to Mexico and China. Carry-out stocks are forecast to rise to 0.98 Mt. The average VC cash price is forecast to fall to \$325-365/t, due to lower US soybean prices.

FLAXSEED (excluding solin)

For 2003-04, exports are expected to remain steady, while carry-out stocks decline marginally to 0.13 Mt.

For 2004-05, production is forecast to rise by 35%, to 1.02 Mt, due to an expected increase in seeded area and yields. Exports are forecast to increase slightly due to stronger US and Asian demand. Carry-out stocks are expected to increase to a 20-year high of 0.38 Mt. The Thunder Bay cash price is forecast to fall to \$295-335/t, due to higher supplies.

SOYBEANS

For 2003-04, domestic crush is expected to decline slightly, to 1.65 Mt, while exports rise to 0.8 Mt.

For 2004-05, production is expected to increase by 19%, to 2.7 Mt, due to a slight rise in seeded area and a return to near-normal yields. Supplies are forecast to increase slightly. Food and industrial use is forecast to increase while exports remain stable. Carry-out stocks are forecast to increase. The average Chatham price is forecast to decrease to \$285-325/t, due to lower US prices and the stronger Canadian dollar.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

February 13, 2004

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use (e)	Feed, Waste & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (f) \$/t
----- thousand metric tonnes -----											
Durum											
2002-2003	2,246	1.73	3,877	6	5,427	2,968	279	283	799	1,660	271
2003-2004f	2,459	1.74	4,280	2	5,942	3,400	270	222	742	1,800	209 *
2004-2005f	2,535	2.06	5,230	2	7,032	3,400	275	447	932	2,700	190
Wheat Except Durum											
2002-2003	6,590	1.87	12,321	173	17,678	6,223	2,767	3,904	7,465	3,990	241
2003-2004f	8,009	2.41	19,272	20	23,282	12,600	2,685	3,137	6,582	4,100	198 *
2004-2005f	7,665	2.50	19,160	20	23,280	12,400	2,700	3,300	6,780	4,100	190
All Wheat											
2002-2003	8,836	1.83	16,198	178	23,105	9,191	3,046	4,188	8,264	5,650	
2003-2004f	10,467	2.25	23,552	22	29,224	16,000	2,955	3,359	7,324	5,900	
2004-2005f	10,200	2.39	24,390	22	30,312	15,800	2,975	3,747	7,712	6,800	
Barley											
2002-2003	3,348	2.24	7,489	259	9,795	939	181	6,796	7,415	1,441	172
2003-2004f	4,446	2.77	12,328	50	13,819	2,800	320	8,564	9,319	1,700	115-135
2004-2005f	4,420	3.00	13,275	50	15,025	2,750	375	9,545	10,375	1,900	110-140
Corn											
2002-2003	1,283	7.01	8,999	3,904	13,958	308	2,385	10,121	12,540	1,111	145
2003-2004f	1,226	7.82	9,587	1,500	12,198	300	2,500	8,263	10,798	1,100	120-140
2004-2005f	1,300	7.44	9,670	1,700	12,470	300	2,650	8,485	11,170	1,000	110-140
Oats											
2002-2003	1,379	2.11	2,911	21	3,294	1,189	128	1,226	1,546	559	194
2003-2004f	1,575	2.34	3,691	20	4,270	1,600	150	1,680	2,020	650	120-140
2004-2005f	1,600	2.54	4,065	20	4,735	1,700	150	1,880	2,235	800	115-145
Rye											
2002-2003	77	1.74	134	2	185	52	38	43	103	30	
2003-2004f	147	2.22	327	5	362	85	47	132	197	80	
2004-2005f	180	2.14	385	2	467	90	48	212	277	100	
Mixed Grains											
2002-2003	132	2.72	359	0	359	0	0	359	359	0	
2003-2004f	135	2.84	384	0	384	0	0	384	384	0	
2004-2005f	130	2.89	376	0	376	0	0	376	376	0	
Total Coarse Grains											
2002-2003	6,218	3.20	19,892	4,185	27,591	2,488	2,731	18,544	21,963	3,141	
2003-2004f	7,529	3.50	26,317	1,575	31,033	4,785	3,017	19,023	22,718	3,530	
2004-2005f	7,630	3.64	27,771	1,772	33,073	4,840	3,223	20,498	24,433	3,800	
Canola											
2002-2003	3,262	1.28	4,178	240	5,667	2,394	2,225	116	2,379	894	415
2003-2004f	4,689	1.42	6,669	225	7,788	3,500	3,100	293	3,438	850	360-390
2004-2005f	5,105	1.40	7,125	225	8,200	3,700	3,200	280	3,525	975	325-365
Flaxseed											
2002-2003	633	1.07	679	27	892	577	N/A	N/A	186	129	402
2003-2004f	728	1.04	754	20	903	575	N/A	N/A	203	125	335-365
2004-2005f	804	1.26	1,015	20	1,160	600	N/A	N/A	185	375	295-335
Soybeans ^{1/}											
2002-2003	1,024	2.28	2,336	651	3,159	722	1,763	458	2,291	145	308
2003-2004f	1,047	2.17	2,268	650	3,063	800	1,650	418	2,138	125	345-375
2004-2005f	1,092	2.47	2,692	350	3,167	800	1,750	397	2,217	150	285-325
Total Oilseeds											
2002-2003	4,919	1.46	7,193	918	9,718	3,694	N/A	N/A	4,856	1,168	
2003-2004f	6,464	1.50	9,692	895	11,755	4,875	N/A	N/A	5,780	1,100	
2004-2005f	7,001	1.55	10,832	595	12,527	5,100	N/A	N/A	5,927	1,500	
Total Grains And Oilseeds											
2002-2003	19,973	2.17	43,282	5,280	60,414	15,373	N/A	N/A	35,083	9,959	
2003-2004f	24,461	2.43	59,561	2,492	72,012	25,660	N/A	N/A	35,822	10,530	
2004-2005f	24,831	2.54	62,993	2,389	75,912	25,740	N/A	N/A	38,072	12,100	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No. 1 CWRS 11.5% protein and No. 1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver),

Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No. 2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures);

Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* January 2004 CWB Pool Return Outlook (PRO)

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

f. Agriculture and Agri-Food Canada forecast, February 13, 2004

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

February 13, 2004

For 2004-05, total area seeded to pulse and special crops in Canada is forecast to decrease by 4% from 2003-04, as an increase for lentils is more than offset by decreases for dry peas, dry beans, mustard seed and sunflower seed. It is assumed that precipitation will be normal for the spring and summer. However for Saskatchewan and Alberta, due to low soil moisture reserves in most areas, yields are forecast to be below trend but, in general, higher than in 2003-04. For the other provinces, trend yields are assumed. It has been assumed that the abandonment rate and average quality will be normal. Total production in Canada is forecast to increase by 8% to 3.97 Mt. Total supply is expected to increase by 4% to 4.59 Mt. Exports, domestic use and carry-out stocks are forecast to increase due to the higher supply.

Average prices, compared to 2003-04, are forecast to increase for dry beans, chick peas and sunflower seed, decrease for dry peas, lentils, mustard seed and canary seed, and be the same for buckwheat. However, prices are expected to be very sensitive to any production problems due to low world carry-in stocks for most crops. The main factor to watch will be precipitation during the spring and summer in western Canada. If dry conditions persist in parts of western Canada, the seeded area for small seed crops, such as mustard seed and canary seed, could be lower than forecast. Other factors to watch are the exchange rate of the Canadian dollar against the US dollar and other currencies, ocean shipping rates and growing conditions in major producing countries.

DRY PEAS

For 2003-04, due to higher production and supply, and strong demand, exports are forecast to increase sharply. The average price is forecast to decrease, compared to 2002-03, as carry-out stocks decrease, with a stocks-to-use ratio (s/u) of 11%.

For 2004-05, the area seeded is forecast to decrease by 5%. Production and supply are forecast to increase due to expected higher yields. World supply is expected to increase by 3% to 11.6 Mt because of higher production in Canada and the EU, but this is expected to be mostly offset by increased use. Canadian exports and domestic use are forecast to increase due to higher supply and lower prices. Carry-out stocks are forecast to increase, with a s/u of 13%. The average price, compared to 2003-04, over all types, grades and markets, is forecast to decrease due to the higher supply.

LENTILS

For 2003-04, due to higher production and supply, Canadian exports are forecast to increase. The average price is forecast to be the same as in 2002-03 as higher average quality offsets the pressure from increased supply. Carry-out stocks are expected to decrease, with a s/u of 5%.

For 2004-05, the seeded area is forecast to increase by 5%. Production and supply are forecast to increase due to the higher seeded area and expected higher yields. World supply is forecast to remain stable at 3.3 Mt. Canadian exports are expected to increase, as Canada's share of world supply increases. Carry-out stocks are forecast to increase, with a s/u of 10%. The average price, over all types and grades, is forecast to decrease due to the higher supply of green lentils.

DRY BEANS

For 2003-04, production and supply decreased significantly in Canada and the US. Canadian exports are forecast to increase because of strong demand. Carry-out stocks are expected to decrease, with a s/u of 12%, and the average price is forecast to increase.

For 2004-05, area seeded is forecast to decrease marginally. Production and total supply are expected to decrease, due mainly to a return to normal yields which are lower than yields in 2003-04. In the US, production is expected to

increase, while the supply decreases due to lower carry-in stocks. Canadian exports are forecast to decrease due to the lower supply. Carry-out stocks are expected to decrease, with a s/u of 5%. The average price, over all classes and grades, is forecast to increase due to the lower supply.

CHICK PEAS

For 2003-04, due to lower production and supply, exports are forecast to decrease. Carry-out stocks are expected to decrease, with a s/u of 9%. The average price is forecast to increase because of higher average quality.

For 2004-05, the area seeded is forecast to be similar to 2003-04, with some shift in production to the large kabuli type. Production is expected to decrease slightly due to a return to normal abandonment rate which is higher than in 2003-04. Supply is forecast to decrease, due mainly to lower carry-in stocks. Total world supply is expected to decrease by 5% to 7.8 Mt. Canadian exports are forecast to decrease due to the lower supply. Carry-out stocks are expected to decrease to a low level. The average price, over all types, grades and sizes, is forecast to increase due to the lower supply.

MUSTARD SEED

For 2003-04, due to higher production and supply, exports are forecast to increase. Carry-out stocks are expected to increase, with a s/u of 48% and the average price is forecast to decrease sharply.

For 2004-05, area seeded is expected to decrease by 20%. Production is forecast to decrease, while supply increases, as the decrease in production is more than offset by higher carry-in stocks. Although exports are expected to rise, carry-out stocks are forecast to increase, with a s/u ratio of 50%. The average price, over all types and grades, is expected to decrease due to the higher supply.

CANARY SEED

For 2003-04, due to higher production and supply, exports are forecast to increase. Carry-out stocks are expected to increase, with a s/u ratio of 20%. The average price is forecast to decrease sharply due to the higher supply.

For 2004-05, area seeded is expected to be the same as in 2003-04. Production and supply are

forecast to increase due to higher yields and higher carry-in stocks. Total world supply is forecast to increase by 10% to 325,000 t. Although Canadian exports are expected to increase, due to lower prices, carry-out stocks are forecast to increase, with a s/u ratio of 26%. The average price is forecast to decrease, due to the higher supply.

SUNFLOWER SEED

For 2003-04, due to higher supply and strong demand, exports and domestic use are expected to increase. Carry-out stocks are forecast to decrease, with a s/u ratio of 17%. The average price is forecast to decrease due to the higher supply of the oilseed type.

For 2004-05, area seeded is expected to decrease by 10%. Production and supply are forecast to increase due to expected higher yields. Total world supply is expected to remain stable at 26.9 Mt. Canadian exports are forecast to remain stable, while domestic use increases. Carry-out stocks are expected to remain stable, with a s/u of 17%. The average price, over both types and all grades, is forecast to increase because of some shift in production to the higher priced confectionary type.

BUCKWHEAT

For 2003-04, due to lower production and supply, exports are expected to remain stable, while carry-out stocks decrease. The average price is forecast to increase due to the lower supply.

For 2004-05, area seeded and production are forecast to be the same as in 2003-04, while supply decreases due to lower carry-in stocks. Exports are forecast to remain stable and carry-out stocks are expected to be very low. The average price is forecast to be the same as in 2003-04, as lower Canadian supply is more than offset by slightly higher world supply.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION February 13, 2004

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----									
Dry Peas									
2000-2001	1,220	2.35	2,864	12	3,276	2,196	885	195	138
2001-2002	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004f	1,271	1.67	2,124	25	2,459	1,350	859	250	155-185
2004-2005f	1,210	1.95	2,360	25	2,635	1,450	885	300	140-170
Lentils									
2000-2001	688	1.33	914	5	999	475	268	256	295
2001-2002	664	0.85	566	6	828	478	219	131	320
2002-2003	387	0.91	354	9	494	319	120	55	390
2003-2004f	536	0.97	520	5	580	420	130	30	375-405
2004-2005f	570	1.10	625	5	660	460	140	60	350-380
Dry Beans									
2000-2001	162	1.65	268	40	348	227	71	50	465
2001-2002	175	1.70	298	42	390	263	97	30	725
2002-2003	219	1.89	414	40	484	297	122	65	445
2003-2004f	167	2.14	357	35	457	315	92	50	480-510
2004-2005f	165	1.85	305	40	395	290	85	20	510-540
Chick Peas									
2000-2001	283	1.37	388	5	408	179	199	30	410
2001-2002	467	.97	455	12	497	147	210	140	380
2002-2003	154	1.01	156	9	305	104	141	60	300
2003-2004f	63	1.08	68	10	138	75	43	20	310-340
2004-2005f	60	1.08	65	15	100	45	45	10	330-360
Mustard Seed									
2000-2001	208	0.97	202	1	318	151	62	105	280
2001-2002	158	0.66	105	3	213	171	9	33	685
2002-2003	255	0.60	154	9	196	114	22	60	595
2003-2004f	328	0.69	226	5	291	160	36	95	375-405
2004-2005f	265	0.81	215	3	313	170	38	105	360-390
Canary Seed									
2000-2001	164	1.04	171	0	261	170	21	70	265
2001-2002	163	0.70	114	0	184	134	20	30	660
2002-2003	227	0.78	176	0	206	163	23	20	575
2003-2004f	243	0.91	220	0	240	170	30	40	335-365
2004-2005f	245	0.92	225	0	265	175	35	55	295-325
Sunflower Seed									
2000-2001	69	1.72	119	18	178	77	55	46	320
2001-2002	67	1.55	104	29	179	92	65	22	355
2002-2003	95	1.65	157	21	200	105	60	35	440
2003-2004f	115	1.30	150	20	205	110	65	30	355-385
2004-2005f	100	1.60	160	20	210	110	70	30	365-395
Buckwheat									
2000-2001	15	0.93	14	1	16	9	7	0	305
2001-2002	14	1.14	16	1	17	6	8	3	325
2002-2003	12	1.00	12	1	16	6	7	3	340
2003-2004f	9	1.11	10	1	14	6	7	1	340-370
2004-2005f	9	1.11	10	1	12	6	6	0	340-370
Total Pulse And Special Crops (c)									
2000-2001	2,809	1.76	4,940	82	5,804	3,484	1,568	752	
2001-2002	2,993	1.23	3,681	120	4,553	2,672	1,217	664	
2002-2003	2,399	1.16	2,788	130	3,582	1,704	1,270	608	
2003-2004f	2,732	1.35	3,675	101	4,384	2,606	1,262	516	
2004-2005f	2,624	1.51	3,965	109	4,590	2,706	1,304	580	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, February 13, 2004

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS										February 23, 2004									
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	February 23, 2004	FOB	N/A	N/A	N/A	N/A	195.00	446.50	276.00	140.00	140.00	N/A	900.00	510.00					
BC	February 16, 2004	FOB	N/A	N/A	N/A	N/A	189.50	402.00	248.00	145.00	145.00	N/A	900.00	510.00					
Calgary	February 23, 2004	FOB	140.00	N/A	126.00	166.00	189.50	431.00	N/A			40.00	950.00	545.00					
AB	February 16, 2004	FOB	140.00	N/A	125.00	166.00	189.50	388.50	N/A			40.00	950.00	545.00					
Saskatoon	February 23, 2004	FOB	140.00	133.50	110.50	174.00	391.00	235.00				50.00	N/A	545.00			185.00		
SK	February 16, 2004	FOB	140.00	131.00	110.50	174.00	364.33	235.00				50.00	N/A	545.00			190.00		
Melfort	February 23, 2004	FOB																	
SK	February 16, 2004	FOB																	
Winnipeg	February 23, 2004	FOB	149.00	135.00	116.00	146.00	376.50	235.00				290.00	895.00	490.00					
MB	February 16, 2004	FOB	147.50	130.00	117.50	146.00	343.50	235.00				290.00	895.00	490.00					
Thunder Bay	February 23, 2004	In-Store	160.80	N/A	126.00														
ON	February 16, 2004	On Board	158.70	N/A	127.00														
Lake Ports	February 23, 2004	Vessel					152.78												
USA	February 16, 2004	Vessel					147.80												
Bay Ports	February 23, 2004	In-Store	194.00	225.00	N/A														
ON	February 16, 2004	Track	194.00	225.00	N/A														
Chatham	February 23, 2004	Track					153.14												
ON	February 16, 2004	N/A					150.19												
Toronto	February 23, 2004	N/A																	
ON	February 16, 2004	N/A																	
Hamilton	February 23, 2004	N/A																	
ON	February 16, 2004	FOB																	
Eastern	February 23, 2004	FOB																	
ON	February 16, 2004	FOB																	
London	February 23, 2004	FOB																	
ON	February 16, 2004	FOB																	
Port Colborne	February 23, 2004	FOB																	
ON	February 16, 2004	FOB																	
Cardinal	February 23, 2004	FOB																	
ON	February 16, 2004	FOB																	
Montreal	February 23, 2004	FOB																	
QC	February 16, 2004	FOB																	
Trois-Rivières	February 23, 2004	In-Store	180.90	N/A	N/A	N/A	N/A	426.45	285.50	126.67	126.67	204.00	850.00	441.00					
QC	February 16, 2004	FOB	188.40	N/A	N/A	N/A	N/A	392.38	259.00	122.33	122.33	193.00	850.00	441.00					
St. Jean QC	February 23, 2004	FOB	189.36	157.42	165.65	147.76	411.55												
QC	February 16, 2004	FOB	186.20	156.27	161.53	146.32	396.22												
St. Hyacinthe QC	February 23, 2004	In-Store	189.30	N/A	167.75	170.66	427.81												
Quebec	February 16, 2004	Track	189.13	N/A	166.55	168.15	392.91												
Truro	February 23, 2004	Water	216.01	230.00	190.39	190.75	421.30	296.46											
NS	February 16, 2004	Water & Truck	216.01	230.00	191.39	188.39	406.53	285.00											
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
Halifax	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 16, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
NS	February 23, 2004	In-																	

B. CASH PRICES AND REPLACEMENT VALUES

February 23, 2004

PRAIRIE GRAINS

Selected Points	Price Basis		This week 23-Feb-04	Last week 9-Feb-04	Month ago 26-Jan-04	Year ago 24-Feb-03
From: Thunder Bay(WCE) (2)	In-Store	Wheat	160.00	160.00	160.00	189.20
(CBOT)		Oat	149.75	151.25	158.25	209.75
(Lethbridge)		Barley	126.00	127.00	126.00	171.50
To: Bayport, ON (1)	In-store	Wheat	183.61	183.61	183.61	212.81
		Oat	N/A	N/A	N/A	N/A
		Barley	153.39	154.39	153.39	198.89
Montreal, QC (1)	In-store	Wheat	188.03	188.03	188.03	217.23
		Oat	N/A	N/A	N/A	N/A
		Barley	158.31	159.31	158.31	203.81
Moncton, NB	Truck via Halifax	Wheat	210.25	210.25	210.25	239.45
		Oat	N/A	N/A	N/A	N/A
		Barley	182.50	183.50	182.50	228.00
Truro, NS	Truck via Halifax	Wheat	204.22	204.22	204.22	233.42
		Oat	N/A	N/A	N/A	N/A
		Barley	180.00	181.00	180.00	225.50
Halifax, NS (1)	In-store	Wheat	195.28	195.28	195.28	224.48
		Oat	N/A	N/A	N/A	N/A
		Barley	166.30	167.30	166.30	211.80
Stephenville, NL	Track / Truck via Sydney	Wheat	258.63	258.63	258.63	287.83
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 23-Feb-04	Last week 9-Feb-04	Month ago 26-Jan-04	Year ago 24-Feb-03
Corn						
From: US Lake Port	On Board Vessel		152.78	147.80	145.30	149.79
To: Montreal, QC (1)	In-store		171.82	166.84	164.34	168.83
From: Chicago (Mi)	Track		155.95	150.39	145.30	146.24
To: Montreal, QC	Track		184.81	179.25	174.16	175.10
From: Chatham, ON	Track		153.14	150.19	152.56	158.65
To: Montreal, QC	Track		177.01	174.06	176.43	182.45

Soymeal 48% Protein

From: Hamilton, ON			375.20	338.50	348.60	261.14
To: Montreal, QC	Track		399.53	362.83	372.93	285.47
Moncton, NB	Track		418.28	381.58	391.68	304.22
Truro, NS	Track		421.50	384.80	394.90	307.44
Stephenville, NL	Track / Truck via Sydney		470.13	433.43	414.23	356.07

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

February 09, 2004																			
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	February 09, 2004	FOB	N/A	N/A	N/A	N/A	189.50		405.50	248.00	145.00	N/A	900.00	510.00					
BC (4) (7)	February 02, 2004		N/A	N/A	N/A	N/A	184.50		402.25	240.00	142.00	N/A	900.00	510.00					460.00
Calgary	February 09, 2004	FOB	138.00	N/A	125.00	165.00	165.00		401.00	N/A		40.00	950.00	545.00					460.00
AB (4)	February 02, 2004		138.00	N/A	125.00	166.00	166.00		398.00	N/A		40.00	950.00	545.00					420.00
Saskatoon	February 09, 2004	FOB	139.00	135.00	112.00	174.00	174.00		372.00	235.00		50.00	N/A	545.00			190.00		420.00
SK (4)	February 02, 2004		137.50	138.00	111.00	174.00	174.00		369.33	235.00		50.00	N/A	545.00			188.67		460.00
Melfort	February 09, 2004	FOB																	
SK	February 02, 2004																		
Winnipeg	February 09, 2004	FOB	147.50	130.00	117.50	144.00	144.00		352.50	235.00		290.00	895.00	490.00					411.00
MB (4) (9)	February 02, 2004		147.50	130.00	115.50	145.00	145.00		348.00	235.00		290.00	895.00	490.00					411.00
Thunder Bay	February 09, 2004	In-Store	160.70	N/A	127.00														
ON (8)	February 02, 2004		162.10	N/A	128.00														
Lake Ports	February 09, 2004	On Board				147.55													
USA (3)	February 02, 2004	Vessel				145.30													
Bay Ports	February 09, 2004	In-Store	194.00	225.00	N/A														
ON	February 02, 2004		194.00	225.00	N/A														
Chatham	February 09, 2004	Track				153.01													
ON	February 02, 2004					152.39													
Toronto	February 09, 2004	N/A																	
ON (5)	February 02, 2004																		
Hamilton	February 09, 2004	N/A							351.80	N/A		193.00	N/A	450.00				285.00	410.00
ON	February 02, 2004								348.60	N/A		193.00	N/A	450.00				280.00	425.00
Eastern	February 09, 2004	FOB				153.16													
ON	February 02, 2004					142.62													
London	February 09, 2004	FOB																	
ON	February 02, 2004																		
Port Colborne	February 09, 2004	FOB																	
ON	February 02, 2004																		
Cardinal	February 09, 2004	FOB																	
ON	February 02, 2004																		
Montreal	February 09, 2004		N/A	N/A	N/A	N/A	N/A		403.12	270.63	121.67	193.00	850.00	441.00				265.00	430.00
QC (5)	February 02, 2004		N/A	N/A	N/A	N/A	N/A		401.65	273.98	115.00	193.00	850.00	441.00				265.00	430.00
Trois-Rivières	February 09, 2004	In-Store	194.40			162.00	0.00												
St. Jean QC (2)	February 02, 2004		197.20			164.90	0.00												
St. Hyacinthe QC	February 09, 2004	FOB	185.00	157.79	161.64	144.63			397.55										
Quebec	February 02, 2004		184.06	157.84	163.18	144.85			394.88										
QC	February 09, 2004	In-Store	190.80	N/A	176.87	169.52			404.20										
ON	February 02, 2004		192.40	N/A	181.25	166.27			404.50										
Truro	February 09, 2004	Track	216.01	230.00	191.39	186.79			406.53	285.00		255.77		465.00					
NS	February 02, 2004		219.41	230.00	191.14	183.40			416.23	299.11		255.77		465.00					430.00
Truro	February 09, 2004	Water	N/A	N/A	N/A	N/A	N/A												
NS	February 02, 2004	& Truck	N/A	N/A	N/A	N/A	N/A												
Halifax	February 09, 2004	In-Store	N/A	N/A	N/A	N/A	N/A												
S (6)	February 02, 2004		N/A	N/A	N/A	N/A	N/A												

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
Contact: Corinne Bruneau Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: bruneauc@agr.gc.ca
N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn, Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley Cash Price WCF (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

February 09, 2004

PRAIRIE GRAINS

Selected Points	Price Basis		This week 9-Feb-04	Last week 26-Jan-04	Month ago 12-Jan-04	Year ago 10-Feb-03
From: Thunder Bay(WCE) (2)	In-Store	Wheat	160.00	160.00	161.00	191.00
(CBOT)		Oat	151.25	158.25	155.00	204.25
(Lethbridge)		Barley	127.00	126.00	129.00	173.50
To: Bayport, ON (1)	In-store	Wheat	183.61	183.61	184.61	214.61
		Oat	N/A	N/A	N/A	N/A
		Barley	154.39	153.39	156.39	200.89
Montreal, QC (1)	In-store	Wheat	188.03	188.03	189.03	219.03
		Oat	N/A	N/A	N/A	N/A
		Barley	159.31	158.31	161.31	205.81
Moncton, NB	Truck via Halifax	Wheat	210.25	210.25	211.25	241.25
		Oat	N/A	N/A	N/A	N/A
		Barley	183.50	182.50	185.50	230.00
Truro, NS	Truck via Halifax	Wheat	204.22	204.22	205.22	235.22
		Oat	N/A	N/A	N/A	N/A
		Barley	181.00	180.00	183.00	227.50
Halifax, NS (1)	In-store	Wheat	195.28	195.28	196.28	226.28
		Oat	N/A	N/A	N/A	N/A
		Barley	167.30	166.30	169.30	213.80
Stephenville, NL	Track / Truck via Sydney	Wheat	258.63	258.63	259.63	289.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 9-Feb-04	Last week 26-Jan-04	Month ago 12-Jan-04	Year ago 10-Feb-03
Corn						
From: US Lake Port	On Board Vessel		147.55	145.30	126.41	156.14
To: Montreal, QC (1)	In-store		166.59	164.34	145.45	175.18
From: Chicago (Mi)	Track		147.55	145.30	128.91	151.95
To: Montreal, QC	Track		176.41	174.16	157.77	180.81
From: Chatham, ON	Track		153.01	152.56	139.25	161.31
To: Montreal, QC	Track		176.88	176.43	163.12	185.11

Soymeal 48% Protein						
From: Hamilton, ON			351.80	348.60	319.30	260.77
To: Montreal, QC	Track		376.13	372.93	343.63	285.10
Moncton, NB	Track		394.88	391.68	362.38	303.85
Truro, NS	Track		398.10	394.90	365.60	307.07
Stephenville, NL	Track / Truck via Sydney		446.73	443.53	414.23	355.70

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

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Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



Bi-weekly Bulletin

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DRY PEAS: SITUATION AND OUTLOOK

Canada is normally the largest producer and exporter of dry peas in the world, accounting, on average, for about 20% of world production and 50% of world exports. The value of Canadian dry pea exports peaked at \$492 million (M) in 2000-2001, but declined in the following two years due to reduced production caused by drought. Canadian exports are expected to increase sharply in 2003-2004. Canadian seeded area for dry peas increased by about 550% since 1991-1992. The expansion of dry pea production in western Canada has provided producers with an alternative cash crop to use in their rotations and livestock feeders with a new feed ingredient. In addition, the increased production has resulted in increased employment opportunities in western Canada through the expansion of handling, marketing and processing facilities. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for dry peas.

WORLD

Production

World dry pea production has been trending downwards during the past ten years, from a peak of 14.4 million tonnes (Mt) in 1994-1995 to a low of 9.6 Mt in 2002-2003, but increased to 10.8 Mt in 2003-2004. During this period,

production has shifted out of Russia, Ukraine and France into Canada. In 1994-1995, Canada accounted for only 13% of world dry pea production, but in 2000-2001 Canada's share peaked at 26%.

Trade

World trade in dry peas has been variable during the past ten years, ranging from a low of 2.75 Mt in calendar year 1997 to a high of 3.76 Mt in 1999. In 2002, the latest year for which trade data is available, 2.86 Mt of dry peas were exported. Ten years ago, world exports were dominated by France which had about a 40% share of exports. Canada's share was only about 15%. Other major exporters were Australia, Czech republic, Hungary, Denmark, and the United States (US). During the decade, Canada's share grew until it became the largest exporter in 1997. In 2001, Canada's share of exports peaked at 56%, with France in second place at 16%. In 2001, the only other significant exporters, in addition to Canada and France, were Australia, the US and Ukraine. In 2002, Canada's share of world exports fell sharply to 28% due to drought and France became the largest exporter for the first time since 1996 with a share of 29%.

Ten years ago, the main importing countries were in western Europe; with the Netherlands being the largest, followed by Germany, Belgium, and Spain. The only large non-European importer was India. Since then, there was some shifting of exports from Europe to Asia. In 2002, Asia was the largest importing region, with India, Bangladesh,

WORLD: DRY PEA SUPPLY AND DISPOSITION

	2000 -2001	2001 -2002	2002 -2003	2003 -2004	2004 -2005f
Harvested Area (000 ha)	5,974	6,285	6,245	6,576	6,600
Average Yields (t/ha)	1.80	1.69	1.54	1.64	1.69
.....thousand tonnes.....					
Canada	2,864	2,023	1,365	2,124	2,360
France	1,890	1,720	1,715	1,635	1,800
Russia	900	1,300	1,267	1,380	1,300
China	1,020	1,120	1,200	1,230	1,200
India	700	700	730	730	750
Ukraine	499	619	613	678	600
Germany	403	560	413	393	430
Australia	401	414	160	418	400
United Kingdom	315	361	292	281	310
United States	193	204	221	274	380
Others	1,572	1,576	1,630	1,626	1,692
Total Production	10,757	10,597	9,606	10,769	11,222
Carry-in Stocks	800	500	500	500	500
Total Supply	11,557	11,097	10,106	11,269	11,722
Total Use	11,057	10,597	9,606	10,769	11,122
Carry-out Stocks	500	500	500	500	600
Stocks-to-use ratio (%)	5%	5%	5%	5%	5%

f: forecast, Agriculture and Agri-Food Canada, March 2004

Source: FAO, UNIP, AAFC, Pulse Australia, USDA, and Statistics Canada, March 2004

China and Pakistan being the largest importing countries. Dry pea exports to Asia are nearly all for food. Europe was the second largest importing region, with Spain, Belgium, Netherlands and Italy, the largest importing countries. European imports were nearly all for livestock feed. Latin America is also a major importing region for dry peas, especially Colombia and Cuba. Smaller volumes of dry peas are imported by countries in Africa and the Middle East. Exports to Latin America, Africa and the Middle East are largely for food. The shift in exports from Europe to Asia, implies that a larger share of the exports are now going for food use, rather than for feed.

CANADA

Production

Dry peas are a cool season crop with a relatively shallow root system. They are, generally, as drought tolerant as cereal grains, but cannot tolerate heat stress during flowering. Dry peas take about 90-105 days to reach maturity, depending on

the variety grown. The crop is best suited to the black soil zone, with well drained, clay loam soils being ideal for dry pea production. However, dry peas have performed well in all areas of the Prairies, especially in summers with cool and moist conditions. Poorly drained, cold soils can favour the development of seedling diseases and root rots. Dry peas should not be grown on saline soils and should not be grown on the same field more than once in every four years to avoid the rapid increase of soil-borne and foliar diseases.

Dry pea production provides an agronomically sound way of extending and improving crop rotations. They are capable of fixing part of their nitrogen requirements if properly inoculated with the pea strain of Rhizobium. Thus, acceptable yields can be produced in some years with little nitrogen fertilizer. However, a soil test should be used to determine required nutrients. The crop following dry peas in the rotation generally yields more than the same crop

grown after cereals or oilseeds. Care must be taken in harvesting the crop. Dry peas which have been harvested in a careless manner and contain excessive amounts of foreign material, cracked seed coats, and broken and damaged seed will have heavy losses in the cleaning process.

Canadian dry pea seeded area increased by 550% since 1991-1992, with 1.3 million hectares seeded in 2003-2004. There has also been an upward trend in average yields until 2001-2002, when average yields fell sharply due to drought. The growth in dry pea production has been largely in Saskatchewan. In 2003-2004, Saskatchewan accounted for 70% of Canadian production,

Alberta for 24%, Manitoba for 5.5%, with 0.5% produced in British Columbia. Only a small volume of dry peas are produced in eastern Canada. Canada produces several types of peas, with the large and medium yellow types accounting for 61% of 2003-2004 production. Green peas accounted for 37% of the production and the remaining 2% consisted of maple, Austrian winter, green marrowfat and small yellow.

Marketing

Dry peas are sold on the open market to dealers located throughout the Prairie Provinces. Feed peas are sold mainly to large grain elevators, whereas food peas are sold mainly to specialized cleaning and handling facilities. Dry peas are also sold directly to processing plants, feed mills and hog producers.

Feed peas are generally shipped bulk by rail, from the elevators to ports and other markets. Food peas are also generally shipped by rail, either bulk, in bags or in containers.

Domestic Use

About 35% of the dry peas produced in Canada are consumed domestically, with the largest use being livestock feed, followed by seed and food. Most of the increase in domestic use is due to greater use for livestock feed in the Prairie provinces, especially for feeding hogs.

Exports

On average, about 65% of Canadian dry peas are exported. In 2000-2001, about 45% of the exports went into the feed market, mainly in Europe, and 55% into the food market mainly in Asia and Latin America. However, in the following two crop years, feed exports dropped sharply due to lower production in Canada and strong demand in the food markets. For 2003-2004 feed exports are expected to recover to about 50% of total exports. The feed market consumes both yellow and green types. Although both yellow and green peas are sold into the food markets all over the world, the main market for green peas is Latin America and for yellow peas, Asia. In Europe, the largest importing countries are Spain and Belgium. Other significant European importers are Italy, Ireland, France and the United Kingdom. In Asia, the largest importer is India, followed by Bangladesh and China. Other significant importers in Asia are Pakistan, Japan, South Korea, Philippines and Taiwan. In the western hemisphere, Cuba and Colombia are the

WORLD: DRY PEA EXPORTS

	1998	1999	2000	2001	2002
.....thousand tonnes.....					
Canada*	1,303	1,594	1,857	1,969	792
France	1,096	1,176	766	565	836
Australia	197	260	335	337	391
Ukraine	132	74	25	108	181
Russia	10	1	2	19	131
United States	127	101	91	106	95
Other	499	554	365	390	432
Total	3,364	3,760	3,441	3,494	2,858

WORLD: DRY PEA IMPORTS

	1998	1999	2000	2001	2002
.....thousand tonnes.....					
India	257	146	137	849	870
Belgium	579	569	544	415	415
Bangladesh	70	118	110	260	277
Spain	561	527	625	523	215
China	101	68	111	177	130
Netherlands	512	522	271	165	114
Italy	99	108	141	104	100
Pakistan	30	44	85	110	91
Colombia	50	37	56	86	56
Cuba	150	147	49	85	43
Germany	131	164	79	57	38
Philippines	18	24	19	48	17
Other	466	490	586	575	316
Total	3,024	2,964	2,813	3,454	2,682

The difference between imports and exports is attributed to the timing of delivery and because of less complete reporting for imports.

Source: FAO, except * which is Statistics Canada, March 2004

largest importers. Other significant importers are Brazil, US, Venezuela, Mexico, Ecuador, and Peru. In Africa, the most significant importers are South Africa, Algeria and Morocco. Canadian exports were the lowest in 11 years in 2002-2003, due to low supply, but are forecast to recover in 2003-2004.

Prices

Since there is no futures market for dry peas, prices are negotiated directly between the dealers and customers, based on supply and demand factors for each type, for immediate delivery or for

delivery at some future date. Some dry peas are grown under production contracts which guarantee a price for part of the production.

The price of feed peas is related to prices of alternate feed grain and protein meal ingredients. There are, however, regional price differences within the Prairie Provinces based on local supply and demand factors. Food pea prices are normally at a premium to feed pea prices, however the quality standards are higher. The premiums for yellow food peas and green food peas are usually different,

depending on the supply and demand factors for each type. Prices for maple, Austrian winter, green marrowfat and small yellow peas also vary depending on the supply and demand factors for each type.

Average prices are forecast to decrease in 2003-2004 due to higher supply.

CANADA: DRY PEA SUPPLY AND DISPOSITION

<i>August-July crop year</i>	2000 -2001	2001 -2002	2002 -2003	2003 -2004f	2004 -2005f
Seeded Area (000 ha)	1,240	1,344	1,297	1,303	1,238
Harvested Area (000 ha)	1,220	1,285	1,050	1,271	1,210
Yield (t/ha)	2.35	1.57	1.30	1.67	1.95
.....thousand tonnes.....					
Carry-in stocks	400	195	275	310	250
<i>Production:</i>					
Yellow	1,820	1,325	870	1,290	1,410
Green	910	640	470	785	900
Other*	134	58	25	49	50
Total Production	2,864	2,023	1,365	2,124	2,360
Imports	12	27	41	25	25
Total Supply	3,276	2,245	1,681	2,459	2,635
<i>Exports</i>					
Asia	944	778	413	430	580
Europe	945	316	17	650	560
South America	145	116	68	90	110
Central America and Antilles	86	95	47	70	85
Africa	27	35	33	40	45
United States	22	26	26	30	25
Middle East	13	15	19	35	40
Oceania	14	0	5	5	5
Total Exports	2,196	1,381	628	1,350	1,450
Total Domestic Use	885	589	743	859	885
Total Use	3,081	1,970	1,371	2,209	2,335
Carry-out Stocks	195	275	310	250	300
Stocks-to-use ratio (%)	6%	14%	23%	11%	13%
Harvested Area (000 ac)	3,015	3,175	2,595	3,141	2,990
Yield (bu/ac)	35	23	19	25	29
Production (Mbu)	105	74	50	78	87
Average producer price					
Food - Yellow** \$/t	151	209	220	175	165
\$/bu	4.10	5.70	6.00	4.75	4.50
Food - Green** \$/t	147	220	290	208	180
\$/bu	4.00	6.00	7.90	5.65	4.90
Feed*** \$/t	121	151	158	149	138
\$/bu	3.30	4.10	4.30	4.05	3.75

* small yellow, maple, Austrian winter, green marrowfat

** Saskatchewan, No. 1 Canada grade

*** Saskatchewan

f: Agriculture and Agri-Food Canada forecast, March 2004

Source: Statistics Canada and AAFC

OUTLOOK: 2004-2005

World

World dry pea production is forecast to increase by 4%, from 2003-2004, to 11.22 Mt, due mainly to higher expected production in the European Union (EU) and Canada. World supply is forecast to increase by 4% to 11.72 Mt. Total use and carry-out stocks are expected to increase.

Canada

Canadian production is forecast to increase by 11% to 2.36 Mt, as a 5% decrease in seeded area is more than offset by higher yields. It is assumed that precipitation will be normal for the spring and summer. However, most parts of Saskatchewan and Alberta have lower than normal soil moisture reserves. Therefore, yields are forecast to be below trend, but higher than in 2003-2004. Production is expected to increase for all types of dry peas. Total supply is expected to increase by 7% to 2.64 Mt. The higher supply and lower prices are expected to stimulate demand. Therefore, exports are forecast to increase by 7% to 1.45 Mt, and domestic use is expected to increase by 3% to 0.89 Mt. Carry-out stocks are forecast to increase, with a stocks-to-use ratio of 13%. Prices are forecast to decrease for all types of dry peas due to the higher supply.

OUTLOOK: LONGER-TERM

Canada

Research is continuing to develop improved varieties to make Canada more competitive in world dry pea markets. Work is also continuing on market development to increase demand for Canadian dry peas in domestic and export markets. In the feed market, programs are underway to develop markets for feed peas in several eastern Asian and Latin American countries, as well as to increase the use of dry peas for livestock feed in Canada. In November 2003, the first commercial shipment of feed peas was made to China. On January 1, 2004, South Korea reduced the import tariffs for feed peas to 2% from 30% based on a tariff rate quota (TRQ) of 450,000 tonnes (t). The tariff for above

TRQ imports was reduced to 27%. These events increase the potential of developing long term feed pea markets in these countries. In the food market, programs are underway to promote pulses, including dry peas, in a healthy diet. These programs are expected to increase the demand for Canadian dry peas, increase their value and increase domestic processing.

There are two main challenges facing the Canadian dry pea industry. One is to maintain a level of production which is adequate to meet market needs. This is difficult to do because of the variable weather conditions from year to year, especially for moisture, in the dry pea growing areas. Due to the variable weather conditions, average yields since 1991-1992 ranged from 1.3 tonnes per hectare (t/ha) to 2.7 t/ha and abandonment ranged from 1% to 19%. Although the seeded area increased sharply during the early and mid 1990s, the increase in seeded area has been much lower since 1998-1999. To encourage additional seeding, financial returns need to be as good or better than for alternative crops.

The second challenge is the *US Farm Security and Rural Investment Act of 2002* (FSRIA). For the first time, US pea producers are eligible for the loan program. Changes made to the loan program for 2003-2004, resulted in high loan deficiency payments (LDP). The high LDPs are expected to sharply increase US dry pea production.

Another factor to watch is EU Common Agricultural Policy reforms, under which a single direct payment will replace most payments currently offered. The payment will be independent of current production levels or prices, which might result in some shift in production from dry peas and fababeans into cereal grains, because yields for cereal grains in the EU are significantly higher than for dry peas and fababeans. If the change in policy decreases dry pea and fababea production in the EU, it will provide an opportunity for Canadian exporters to increase feed pea sales to the EU. However, there could be competition for the EU market from the

US and Ukraine, if production in these countries increases significantly. The direct payments are scheduled to start in 2005, but individual member countries have the option of delaying implementation, under certain conditions, until 2007.

For periodic updates on the situation and outlook for dry peas, visit the Market Analysis Division Website for "Canada: Pulse and Special Crops Situation and Outlook".

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USES OF DRY PEAS

There are two uses for dry peas, livestock feed and human food. Use for livestock feed is mainly in Europe and Canada, whereas use for food is mainly in Latin America and Asia.

FEED

The hog production industry is the most important user of feed peas, although poultry, cattle and other livestock also consume them.

Feeding Hogs

Dry peas are a good source of energy and protein for hogs. When protein quality and amino acids, such as lysine, are considered in diet formulation for hogs, peas are very price competitive. Moreover, dry peas do not have to be heat treated to deactivate anti-nutritional factors.

Usually dry peas displace soybean meal and high energy grains, such as wheat or corn, in a hog ration in a one-third to two-thirds ratio. Therefore, a formula of one-third soybean meal and two-thirds wheat or corn, whichever has the lower price, gives an approximation of the opportunity price of dry peas. Dry peas are a very economical feed ingredient and can substitute for imported corn and soybean meal in western Canada. The poorest opportunity for dry pea use is in eastern Manitoba, because of the lower transportation cost from the US mid-west corn and soybean producing areas.

Nutrition

Dry peas have a high energy content. North American hog rations are normally formulated on the basis of digestible or metabolizable energy. However, in Europe, hog rations are normally formulated on the basis of net energy. Using net energy for feed formulation increases the value of dry peas in hog rations by about 10% because the net energy content of dry peas is about 37% higher than for soybean meal.

Dry peas are known for having high quality protein, with a protein content of about 22.5%. The digestibility of protein from dry peas is good, with digestibility values of 83-86% for hogs and 84-88% for poultry. Dry pea protein fed to cattle is readily digested. Dry pea protein, protein from cereals, and canola meal are nutritionally complementary, enhancing each one's value when used in rations.

Innovative Uses

An innovative use of dry peas in livestock feed is a mixture of two-thirds ground peas and one-third canola meal. In this mixture, dry peas complement canola meal. Although canola meal is an excellent source of protein, it is low in digestible energy. Dry peas have high energy digestibility, and their amino acid profile, which is high in lysine, complements the amino acid profile of canola meal, which is high in methionine and cystine. Another feed product is an extruded blend of ground dry peas and canola seed. In addition to the two ingredients complementing each other, the high oil content is a readily available source of energy and can be used as a replacement for such products as corn oil or rendered fat. A more recent development is an extruded blend of ground dry peas and flaxseed which contains essential omega-3 fatty acid obtained from the flaxseed oil. A potential use of dry peas is to manufacture protein concentrate for feeding to farmed fish. It would be combined with flaxseed oil to replace fish meal and fish oil.

**CANADA: COST SAVINGS OF USING
DRY PEAS IN A HOG RATION ^{1/}**

	Opportunity Price of Dry Peas ^{2/}	Actual Price of Dry Peas	Feed Cost Saving ^{3/}
	.....\$/t.....		
Winnipeg	214	166	12
Saskatoon	240	170	17
Calgary	244	178	16

^{1/} February 2004

^{2/} Based on one-third soybean meal and two-thirds corn

^{3/} Based on 25% inclusion rate

Source: AAFC

**ENERGY VALUES IN
DIGESTIBLE ENERGY (DE),
METABOLIZABLE ENERGY (ME) AND
NET ENERGY (NE) SYSTEMS**

Ingredient	.....KCAL/KG.....		
	DE	ME	NE
Corn	3,780	3,650	2,970
Wheat	3,870	3,780	2,900
Dry Peas	3,880	3,750	2,640
Soybean Meal	3,910	3,650	1,930

Source: Noble et al. 1994

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Feeding Other Livestock and Birds

Although dry peas are most widely used in feeding hogs, they are also used for feeding all classes of poultry. In feeding poultry, they are a good source of protein and a moderate source of energy. The nutrient profile makes peas a very economical ingredient for layers, but they can also be used for broilers. Dry peas are also a good source of supplementary protein for cattle, as well as a good source of energy. The relatively slow degradation rate of starch in peas may be beneficial in animals fed diets containing a high concentration of grain. A small, but important user, is the bird seed industry, for which some specialty peas, such as the maple and Austrian winter types, are used. Some small yellow seed is sold for seeding in silage mixtures.

FOOD

Food use of dry peas includes canning, split and whole dry markets, as well as constituent products such as protein, flour, starch, and fibre. These products are then used in baked goods, baking mixes, soup mixes, breakfast cereals, processed meats, health foods, pastas and purees. Dry peas can also be cooked and eaten as a vegetable.

Domestic Use

The domestic food market is much smaller than the feed market, but is important for producers and dealers. The domestic processing industry includes splitting, canning, packaging of whole or split seed, the production of dry soup mixtures, or milling for flour, hulls, protein concentrate and starch. The marrowfat type, as well as some others, are used in the confectionary markets and to make a spread called pea butter.

Healthy Diet

Pulses, including dry peas are increasingly being used in health-conscious diets to promote general well-being and reduce the risk of illness. They are low in fat, cholesterol free, high in protein, and are an excellent source of both soluble and insoluble fibre, complex carbohydrates, and vitamins and minerals, especially B vitamins, potassium and phosphorus.

Since dry peas are low in fat and are cholesterol free, they are an excellent heart healthy food that may be beneficial to the prevention of cardiovascular disease. Dry peas are an inexpensive, high quality source of protein. Studies have shown that the high protein content in dry peas exerts major cholesterol lowering effects.

Studies have reported the beneficial effects of soluble dietary fibre on cardiovascular disease in humans, especially in lowering both total serum and LDL-cholesterol levels. In addition, clinical research has shown soluble fibre to be beneficial in the management of type-2 diabetes. Insoluble dietary fibre consumption can be beneficial to a healthy colon and has been associated with reducing the risk of colon cancer. Diets high in fibre have demonstrated beneficial effects on weight loss because they deliver more bulk and less energy.

Dry peas are an excellent source of the B vitamin folate which is an essential nutrient. In addition, folate consumption during pregnancy has been shown to reduce the risk of neural tube defects.

Dry peas contain non-nutritional components called phytochemicals which have demonstrated favourable effects in the prevention and treatment of numerous chronic conditions including cancer, diabetes, cardiovascular disease and hypertension.

Potential Use

In addition to current uses, research is ongoing to develop edible food coatings from dry peas. These would be used to extend the shelf life of perishable food.

US GOVERNMENT PROGRAMS ENGOURAGE HIGHER DRY PEA PRODUCTION

US FARM SECURITY AND RURAL INVESTMENT ACT OF 2002 (FSRIA)

Under FSRIA, for the first time, dry peas are included under the loan program. For 2002-2003, the loan rate was US\$6.33 per hundred pounds (/cwt) based on No. 1 grade, with discounts for lower grades. No Loan Deficiency Payments (LDPs) were made because the posted county prices were higher than the loan rate. The loan rate provides a floor return because if the price is lower than the loan rate, the producer is eligible for a LDP.

Dry peas are not eligible for **direct payments** and **counter-cyclical** support. However, these are based on historical seeded area and yields and are theoretically decoupled from the area seeded during the year of the payout.

For 2003-2004, two regions for loan rates were established. For the West Region (Arizona, California, Idaho, Nevada, New Mexico, Oregon, Utah and Washington) the loan rate was set at US\$6.68/cwt. For the East Region (all other states, including Montana and North Dakota), the loan rate was set at US\$5.89/cwt. In addition the base grade was lowered to feed, which made it easier for dry peas to qualify for LDPs. For crop years 2004-2007, the loan rate is expected to fall slightly.

Loan Deficiency Payment

From July 11, 2003 until January 2, 2004, the weekly posted county price for the West Region was US\$4.00/cwt and for the East Region US\$3.21/cwt. Therefore, the LDP was US\$2.68/cwt. Since then the weekly posted county price has been higher and more variable. On February 27, 2004, the posted county price for the West Region was US\$4.50/cwt and US\$3.71/cwt for the East Region. Therefore, the LDP was US\$2.18/cwt. Although the LDP is based on the price for feed peas, it has been paid to all grades of dry peas.

Loans made under the loan program from July 1, 2003 to February 27, 2004 were US\$0.61M compared to US\$1.1M during the same period in 2002-2003. However, there has been a sharp increase in LDPs to US\$13.82M for the July 1, 2003 to February 27, 2004 period of 2003-2004, from nil during the same period in 2002-2003. In fact, 2003-2004 LDPs for dry peas were the third highest, after wheat and corn, even though dry pea production is very small compared to wheat and corn.

Prices

The high level of LDPs for dry peas is due partly to lower prices in 2003-2004, but mainly to the lowering of the base grade to calculate posted county prices. The low posted county price reflects the undeveloped feed market for dry peas in the US. For example, on March 4, 2004 the North Dakota posted county price was US\$3.71/cwt. In comparison prices in the neighbouring Canadian province of Saskatchewan, converted to US\$, were about US\$5.70/cwt. The LDP has been paid for all grades of dry peas. Since only a small portion of US dry peas are used for livestock feed, prices received by US farmers are significantly higher. For example, on March 4, 2004 the North Dakota price of green peas in the food market was US\$8.33-8.50/cwt. However, by including the US\$2.18/cwt LDP, the producer would have received US\$10.51-10.68/cwt. In contrast a producer in Saskatchewan received, converted to US dollars, about US\$7.20/cwt. For yellow peas in the food market, the North Dakota price was US\$7.50-8.00/cwt. After adding the LDP, the North Dakota producer would have received US\$9.68-10.18/cwt. In contrast the Saskatchewan producer received about US\$6.70/cwt. US prices in the food market, before LDPs, were higher than

**FINANCIAL RETURNS COMPARISON:
NORTH-WESTERN NORTH DAKOTA, MARCH 4, 2004**

	Green Peas	Yellow Peas	Spring Wheat	Durum Wheat
Yield (bu/acre)*	24.00	25.00	27.00	27.00
	.....US\$/bu.....			
Price - food market	5.05	4.65	3.63	3.83
LDP	<u>1.31</u>	<u>1.31</u>	<u>0.00</u>	<u>0.00</u>
Total Returns	6.36	5.96	3.63	3.83
	.....US\$/acre.....			
Market Returns	121.20	116.25	98.01	103.41
LDP Returns	<u>31.44</u>	<u>32.75</u>	<u>0.00</u>	<u>0.00</u>
Total Returns	152.64	149.00	98.01	103.41
Cost of Production**	<u>110.31</u>	<u>110.31</u>	<u>98.12</u>	<u>101.24</u>
Net Returns	42.33	38.69	-0.11	2.17

*stubble, ** fixed and variable

Source: North Dakota State University, USDA and AAFC

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Canadian prices because of strong demand for US government food aid programs where only US produced peas can be used.

2004-2005 Production

The high LDPs are expected to support a sharp increase in the US seeded area for dry peas for 2004-2005. However, the support from high LDPs for an increased seeded area is expected to be partly offset by (1) inexperience with producing dry peas and (2) the fact that dry peas are not eligible for direct payments and counter-cyclical support, since some producers may be concerned about the impact of seeding dry peas on future farm program entitlements.

In 2003-2004, nearly half of US dry peas were seeded in North Dakota, with the balance seeded in Washington, Idaho, Montana and Oregon. For 2004-2005, US seeded area is expected to increase by about 35%, with most of the increase in North Dakota. Assuming normal yields, production is forecast to increase by about 40%.

Impact of the Loan Program on Production

A study by the US Congressional Budget Office forecast a 152% increase in the US seeded area, to 321,000 ha (794,000 ac), for dry peas from 2002-2003 to 2007-2008 due to the inclusion of dry peas under the loan program. Assuming normal yields, production would increase to 600,000 t from the 221,000 t produced in 2002-2003 and the 274,000 t produced in 2003-2004. Most of the increase in production is expected to occur in North Dakota, which has the most land suitable for dry pea production, especially the central and western regions of the state. The increased dry pea seeded area is expected to come out of wheat and durum area. However, the increased dry pea area would reduce the wheat and durum area in North Dakota by only about 5%.

Impact on Canada

At the present time, US dry peas are sold largely into the food market, with a significant portion going for government food aid programs. The US feed market for dry peas is undeveloped. If the US feed market develops in line with the increase in production, so that most of the dry peas go into the US feed market, the impact on Canadian prices might be relatively small, as dry peas would replace other feed ingredients. However, if the extra US production is exported, it would significantly pressure Canadian prices, especially in the food markets. Since food market prices are more volatile, higher US production would tend to lower the high points in the price cycle. The US produces mainly green peas and assuming that most of the increase in production would be for green peas, the pressure on Canadian prices in the food markets would be higher for green peas than for yellow peas. If the US exported dry peas into the feed markets, it would pressure prices for Canadian feed peas, but to a lesser extent than in the food markets because, at the world level, feed market prices are also affected by prices of alternative feed ingredients.

CANADA

The **Canadian Special Crops Association** (CSCA - www.specialcrops.mb.ca) establishes trade rules and serves as a forum for exporters, dealers and brokers involved in the industry of trading Canada's pulse and special crops, including dry peas. The website includes a section where buyers can submit a request for prices.

Pulse Canada (www.pulsecanada.com) is an industry organization, with the CSCA and provincial pulse growers' organizations as members. It is involved in policy issues, coordinating research efforts and market development. The website contains information on pulse crops, markets, and health and nutrition.

The **Canadian Grain Commission** administers quality control standards for dry peas. There are three grades for green peas and four grades for peas other than green. However, normally 1 and 2 Canada grade peas are used for the food market. For the feed market, there is a Canada Feed Peas grade. In addition, dry peas can be graded "Sample" if they do not meet the specifications under the grades. For further information, or to access the *Official Grain Grading Guide*, please visit the CGC website: www.grainscanada.gc.ca

For more information, please contact:

Stan Skrypetz, Pulse and Special Crops Analyst

Phone: (204) 983-8972, E-mail: skrypetzs@agr.gc.ca

SELECTED	DEFERRED	SPREAD
A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS		

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	PRICE PAID COLLECTED POINTS										March 8, 2004					
			(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver BC	March 8, 2004	FOB	179.00	N/A	154.00	194.00		454.50	280.00	N/A	900.00	510.00						
(4) (7) Calgary AB	March 1, 2004	FOB	148.00	N/A	N/A	195.00		446.50	276.00	N/A	142.00	N/A	900.00	510.00			460.00	
(4) Saskatoon SK	March 8, 2004	FOB	140.00	N/A	132.00	173.00		446.00	N/A		140.00	N/A	900.00	510.00			460.00	
(4) Melfort SK	March 1, 2004	FOB	140.00	133.50	110.50	174.00		431.00	N/A		75.00	950.00	555.00				420.00	
(4) Winnipeg MB	March 8, 2004	FOB	149.00	135.00	116.00	174.00		399.33	235.00		40.00	950.00	545.00				420.00	
(4) (9) Thunder Bay ON	March 1, 2004	FOB	149.00	135.00	116.00	174.00		391.00	235.00		50.00	N/A	545.00	186.00			460.00	
(8) Lake Ports USA	March 8, 2004	On Board Vessel	160.80		126.00													
(3) Bay Ports ON	March 1, 2004	In-Store	194.00	225.00	N/A													
Chatham ON	March 8, 2004	Track	194.00	225.00	N/A													
Toronto ON	March 1, 2004	N/A																
(5) Hamilton ON	March 8, 2004	N/A																
Eastern ON	March 1, 2004	FOB																
London ON	March 8, 2004	FOB																
Port Colborne ON	March 1, 2004	FOB																
Cardinal ON	March 8, 2004	FOB																
Montreal QC	March 1, 2004	In-Store	201.10	N/A	N/A	N/A												
(5) Trois-Rivières QC	March 8, 2004	FOB	190.90	163.50	176.86													
St. Jean QC (2)	March 1, 2004	FOB	189.36	153.75	165.45	151.74												
St. Hyacinthe QC	March 8, 2004	In-Store	193.70	157.42	165.65	147.76												
Quebec QC	March 1, 2004	Track	218.91	230.00	197.69	170.66												
Truro NS	March 8, 2004	Water & Truck	216.11	230.00	190.39	190.75												
Halifax NS	March 1, 2004	In-Store		N/A	N/A	N/A												
(6)	March 8, 2004			N/A	N/A	N/A												
	March 1, 2004			N/A	N/A	N/A												
				N/A	N/A	N/A												
				N/A	N/A	N/A												
				N/A	N/A	N/A												
				N/A	N/A	N/A												
				N/A	N/A	N/A												
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Contact: Corinne Bruneau
 Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: bruneauc@agr.gc.ca
 N/A = not available
 US\$1.00=CAN\$1.3186, closing date March 5, 2004

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(c) Fish meal 60% Protein (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

March 8, 2004

PRAIRIE GRAINS

Selected Points		Price Basis		This week 8-Mar-04	Last week 23-Feb-04	Month ago 9-Feb-04	Year ago 10-Mar-03
From: Thunder Bay(WCE) (2)		In-Store	Wheat	165.00	160.00	160.00	179.00
	(CBOT)		Oat	155.25	149.75	151.25	215.75
	(Lethbridge)		Barley	133.00	126.00	127.00	168.00
To: Bayport, ON (1)		In-store	Wheat	188.61	183.61	183.61	202.61
			Oat	N/A	N/A	N/A	N/A
			Barley	160.39	153.39	154.39	195.39
Montreal, QC (1)		In-store	Wheat	193.03	188.03	188.03	207.03
			Oat	N/A	N/A	N/A	N/A
			Barley	165.31	158.31	159.31	200.31
Moncton, NB		Truck via Halifax	Wheat	215.25	210.25	210.25	229.25
			Oat	N/A	N/A	N/A	N/A
			Barley	189.50	182.50	183.50	224.50
Truro, NS		Truck via Halifax	Wheat	209.22	204.22	204.22	223.22
			Oat	N/A	N/A	N/A	N/A
			Barley	187.00	180.00	181.00	222.00
Halifax, NS (1)		In-store	Wheat	200.28	195.28	195.28	214.28
			Oat	N/A	N/A	N/A	N/A
			Barley	173.30	166.30	167.30	208.30
Stephenville, NL		Track / Truck via Sydney	Wheat	263.63	258.63	258.63	277.63
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
Melfort, SK			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
Truro, NS			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A

Selected Points		Price Basis		This week 8-Mar-04	Last week 23-Feb-04	Month ago 9-Feb-04	Year ago 10-Mar-03
Corn							
From: US Lake Port		On Board Vessel		157.94	152.78	147.80	150.51
To: Montreal, QC (1)		In-store		176.98	171.82	166.84	169.55
From: Chicago (Mi)		Track		156.90	155.95	150.39	148.34
To: Montreal, QC		Track		185.76	184.81	179.25	177.20
From: Chatham, ON		Track		155.40	153.14	150.19	160.82
To: Montreal, QC		Track		179.27	177.01	174.06	184.62

Soymeal 48% Protein

From: Hamilton, ON				393.60	375.20	338.50	261.01
To: Montreal, QC		Track		417.93	399.53	362.83	285.34
Moncton, NB		Track		436.68	418.28	381.58	304.09
Truro, NS		Track		439.90	421.50	384.80	307.31
Stephenville, NL		Track / Truck via Sydney		488.53	470.13	433.43	355.94

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

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OVERVIEW: WORLD OILSEED SECTOR AND CANADIAN MARKETING OPPORTUNITIES

The world oilseed sector is projected to grow significantly over the medium-term, continuing its nine-fold expansion since 1964. This worldwide growth is fuelled by the increased demand for vegetable oils and protein meals resulting from rising incomes, larger populations and food safety concerns creating the need to replace animal meal in livestock rations. Similarly, the world trade in oilseeds, vegetable oils and protein meals has increased sharply, and by volume exceeds world trade in wheat or corn. The Canadian oilseed sector has also grown sharply, with Canada becoming a net exporter of oilseeds and a significant trader in protein meals and vegetable oils. Over the medium-term, the Canadian oilseed sector is expected to diversify into novelty oilseeds for specific end uses, specialty oils and protein meal isolates in a move to capture niche-market premiums. This volume of the *Bi-weekly Bulletin* provides a brief overview of the world oilseed sector and highlights developments in the Canadian oilseed industry.

WORLD OILSEED PRODUCTION

History

Oilseeds' origins (defined for this article as soybeans, cottonseed, peanuts, sunflowerseed, canola/rapeseed, copra and palm kernel) extend to the beginnings of human agriculture. Records of soybean cultivation in China and Japan date back more than 5,000 years. The first recorded uses of flax come from Southern Mesopotamia where flax was grown as long ago as 5,000 BC. In the succeeding millennia, flax spread across Europe, Africa, Asia and finally to North America. Similarly, the origins of other oilseeds such as peanuts or cottonseed precede recorded history although these crops were considered to be minor compared to the production of cereals which were processed as food or as feed for livestock rations. For example, rapeseed was historically grown for its oil which was used as a lubricant and was not consumed by humans. Therefore, rapeseed had limited value as a commercial food crop.

World Oilseed Production Growth Rate Surpassed Grain

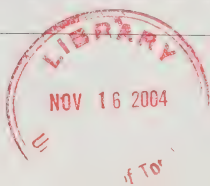
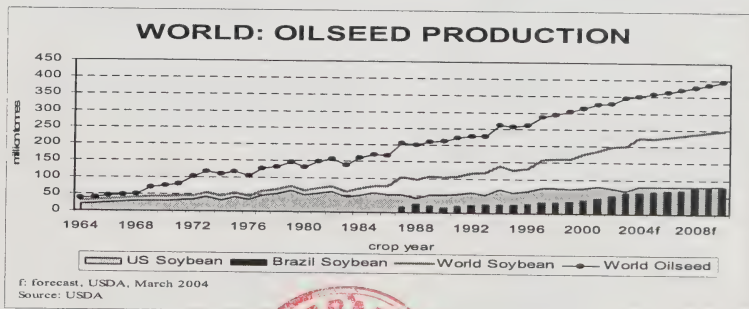
Since the early 1960s, the production of oilseeds has grown sharply and continues to grow at a far faster rate than for any other crops. In 1964, the world output of

oilseeds was 38 million tonnes (Mt) versus the 346 Mt projected for 2003-2004- a growth rate of 910%. By comparison, world production of wheat and coarse grains (corn, sorghum, barley, oats and rye) grew by 208% and 204% respectively over the same time period, to the 553 Mt and 883 Mt forecast for 2003-2004.

Past Growth Driven by US Soybean Expansion

From the 1960s to the late 1990s, much of the growth in world oilseed production has been driven by the expansion of the US soybean crop. In 1964, total world production of soybeans was 29 Mt, or about three quarters of the total oilseed production. By 2004, the total soybean output is expected to be 199 Mt with

soybeans' share dropping to slightly under 60% of the total world oilseed production. Soybean area in the US gradually expanded north and westwards from the Mississippi Delta and South Eastern United States (US) into the Central and Midwest Plains. This expansion was driven by a number of factors. The first was the success of plant breeders who developed lower heat unit, disease and insect tolerant and drought tolerant soybean varieties. A second factor in the 1990's was the release of herbicide tolerant soybean varieties which were highly adaptable to the zero-till management practices which reduced input use and made more efficient use of moisture in grain crops. A third factor was the change in government policy with the passage of the Federal



Canada

Agricultural and Industrial Reform Act in 1996 which extended marketing loan, loan deficiency payments and the acreage reduction program benefits to soybeans. The provisions of the Act, the marketing loan rates in particular, provided price support for soybeans during a period of weak market prices and maintained US production at an artificially high level. These provisions were adjusted but maintained with the passing of the Food Investment and Rural Security Act of 2002. Since 1990, US soybean production has increased by 50% from 52 Mt to a high of almost 79 Mt in 2001. Production has declined since due to lower yields as a result of drought.

For 2003-2004, US soybean production declined to about 66 Mt as a consequence of the extremely dry growing conditions across the US. Demand for US soybeans remained strong with domestic crush and exports remaining higher than expected, due to increased Chinese buying, higher soyoil prices and uncertainty over a ban on animal meal in livestock rations in the US. As a result, the on-farm price of soybeans is forecast at US\$7.15-7.55 a bushel (/bu), up from the US\$ 5.53/bu in 2002-2003 but below the high of US\$7.47/bu set in 1996-1997.

Soybean Growth Switches to Brazil

In the late 1990s, the growth in soybean production shifted from the US to South America, particularly Brazil with the development and release of high-yielding tropical soybean varieties in the 1990s. Since 1990, soybean output has increased by 330% from 16 Mt to almost 53 Mt for 2002. This growth was further supported by the combination of the devaluation of the real, attractive export prices, ample public and private agriculture financing and the availability of large tracts of low-cost land. Most of this increase occurred in the extensive interior savannah region known as the *Cerrado*. This expansion in soybean area occurred at the same time that the Brazilian government enacted a number of political and economic reforms. The Brazilian government also invested heavily in improved roads, bridges and waterways to lower transport costs by 30% to 50% from the interior of the country to port and barge facilities located on the Amazon and Atlantic. The Amazon River remains comparatively underutilized with the potential to load large ocean vessels up to 1,800 kilometers within the Brazilian mainland.

For 2003-2004, soybean production in Brazil is projected to rise sharply, to almost 60 Mt and the country is projected to become the world's largest exporter of soybeans at a record 26.7 Mt. The expansion of soybean area has created some concerns over possible environmental degradation to the Amazon region, but development is expected to continue in the estimated 136 million hectare (Mha) *cerrado* region. Brazil currently grows about 21 Mha of soybeans across the entire country. In Brazil, differential export taxes favour the export of soybeans at the expense of soy meal and soy oil, impeding the expansion of the domestic processing sector. However, large multinational companies continue to invest in new soybean crush plants. Over the medium-term, the area seeded to soybeans in Brazil could conservatively expand by another 40 Mha through the conversion of pasture lands and continued improvements in highway, rail, river and ocean port infrastructure which could lower transport costs by US\$10 to US\$20 a short ton (/st).

Soybean Growth Switches to Argentina

Since 1990, Argentina has tripled its annual production of soybeans which now accounts for 18% of world output. This expansion resulted from the conversion of pasture land into field crops following the disbanding of the National Grain Board (Junta Nacional de Granos – JNG) and the deregulation of soybean marketing in the mid-1990s. Since 1990, the production of soybeans has increased by 317% from 12 Mt to 36 Mt for 2002-2003. The output of soybeans expanded sharply in the local 2001-2002 crop year spurred by the devaluation of the peso and by the relative profitability of growing soybeans compared to other crops. Due to the favourable export tax rates for exporting soy oil and meal, compared to raw soybeans, about 70% of the Argentine soybean crop is crushed domestically and most of the oil and meal is exported. For 2003-2004, Argentine soybean production is estimated at 36.5 Mt, while soy meal and soy oil output reach 19.4 Mt and 14.6 Mt, respectively. Of this, slightly under one-third of Argentina's soybeans, along with almost all of its soy meal and soy oil, will be exported into Europe and Asia.

Output of other oilseeds remains stable

While important, the production of cottonseed, peanuts, sunflowerseed, canola/rapeseed, copra and palm kernel have in aggregate remained relatively

stable since 1990. This is the result of several factors. Oilseeds such as cottonseed are a by-product with the plant mainly grown for its fiber. Other plants such as peanuts are grown and consumed domestically and are not significantly affected by world prices. The growth of other oilseeds, such as canola/rapeseed has been limited by climatic and geographic constraints, as the crop is ideally suited to temperate and moister climates. Over the medium-term, these crops are expected to make up about 40% of worldwide oilseed production and will continue to be an important source of protein meals and vegetable oils. The demand for oilseeds is derived from the demand for vegetable oils and protein meal.

WORLD OILSEED CONSUMPTION

Oilseeds consumed as vegetable oils and protein meals

The majority of oilseeds are not consumed directly by humans but are crushed to produce the intermediate products of vegetable oils and protein meals. The exception occurs in Asia where 40% of soybeans may be consumed in soybean products such as tofu, soymilk, miso and natto. The vegetable oils produced through crushing typically undergo additional processing in order to become the main feedstock in one of four product subcategories: baking or frying fats, margarines, salad or cooking oils or other edible products. For example, in the US where data is readily available, about one-half of all vegetable oils are used to produce salad or cooking oils, about 40% is used in baking or frying fats, 10% in margarine and a negligible amount is used in other edible products.

By contrast, the residual meal left over from the crushing process is high in protein and is used in livestock rations to increase the protein content. This in turn increases feed use efficiency and rate of gain or milk production for livestock. The largest consumers of protein meals are hogs, poultry, beef and dairy cattle and with the rapid expansion in aquaculture, fish.

Rising incomes and population growth drive consumption growth

The consumption of vegetable oil products, along with milk and meat, are highly sensitive to prices and consumers incomes. According to US Department of Agriculture, this is especially true in low and middle income countries where for every 1% increase in incomes, consumers

will spend an additional 0.55% and 0.40% of their food budget, respectively on fats and oils. For meat, consumers in poor countries will spend an extra 0.78% on meat for every 1% increase in income, while consumers for middle income countries will spend an extra 0.64% on meat for every 1% rise in income.

Because of its high sensitivity to prices and disposable incomes, oilseed consumption was largely concentrated in North America and Europe during the 1960s and 1970s. The consumption of oilseeds began to diversify during the 1980s with the growth in disposable incomes worldwide.

Since the early 1990s, disposable incomes have increased sharply across most of Asia leading in turn to a significant increase in vegetable oil and meat consumption.

Sharp Growth Since 1964

In 1964, world consumption of oilseeds was less than 40 Mt or about one-sixth of the amount of wheat consumed. By 2004, world oilseed consumption has increased to 347 Mt, almost two-thirds the level of wheat, of which 288 Mt is expected to be crushed to produce vegetable oil or protein meal. The remaining 59 Mt is consumed directly or becoming feed, waste and dockage.

Consumption by Country

By country or region, China, the European Union (EU), the US and India are the largest consumers of vegetable oils and protein meals in 2003-2004.

For 2003-2004, **China** is expected to consume 38 Mt of protein meals and 18 Mt of vegetable oils, equivalent to almost one-fifth of world usage for each commodity respectively. To support this level of consumption, China is expected to import about 22 Mt of soybeans and over 5 Mt of vegetable oils, making up one-third and 14% of the world trade in these commodities. China supports the import of soybeans versus vegetable oil and protein meal through the use of differential import taxes. Consumption of vegetable oils continues to grow sharply, having increased by almost 60% since 1999-2000, while the usage of protein meals has risen by over 40% during the same time period.

By contrast, the consumption of major protein meals and vegetable and marine oils in the **US** has remained stable at about 31 Mt to 33 Mt and 9 Mt to 10 Mt,

respectively since 1999-2000. The US is regarded as a mature market with further growth in oilseed or oilseed product consumption occurring due to population growth. As a high-income country, the American consumers are concerned with potential health issues surrounding the replacement of animal meals and the consumption of edible oils. The US Food and Drug Administration (FDA) is amending its regulations on nutrition labelling, effective January 1, 2006, requiring that *trans* fatty acids be declared on the nutrition label of conventional foods and dietary supplements on a separate line under the line for the declaration of saturated fatty acids. This is expected to heighten consumer awareness and concerns over health concerns associated with fats and vegetable oils.

The **EU** consumes about 42 Mt to 46 Mt of protein meals and 12 Mt to 15 Mt of vegetable oils annually. With the EU Common Agricultural Policy largely focussed on supporting cereal grain production within the Union, the EU is required to import between 15 Mt to 20 Mt of soybeans and 17 Mt to 21 Mt of soy meal annually.

India consumes about 8.0 Mt to 9.0 Mt of protein meals annually. For its size, per-capita consumption of protein meals is low due to the wide-spread vegetarian practices across the country. However, India consumes between 10 Mt-11 Mt of vegetable oils annually of which 5.0 Mt are imported. By comparison, India exports about 2.5 Mt to 4.0 Mt of protein meals on a yearly basis.

Consumption growth to occur in developing countries over the medium-term

Over the medium-term, the growth in world consumption of oilseeds is expected to largely occur in developing countries due

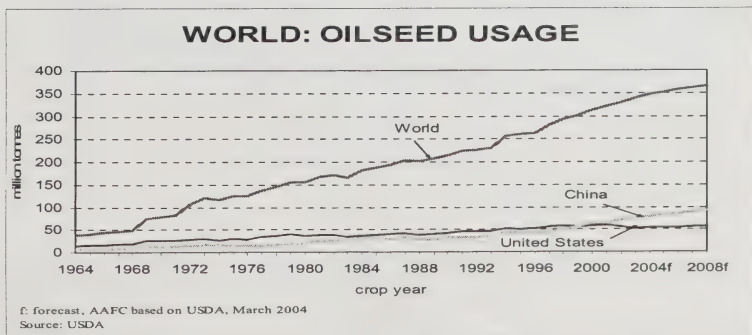
to rising incomes and population growth. The largest growth is expected to occur in Asia which is projected to grow from just 3% of the world's gross national product (GNP) in 1971 to 12% of the world's GNP by 2013. By contrast, oilseed consumption in North America and Europe is expected to grow slowly. However, the rate of growth in world oilseed usage will be tempered by an aging population across Asia, North America and Europe and by the slowdown in population growth.

China is expected to have the fastest rate of growth in oilseed consumption over the medium-term. Due to the growth in consumption and increased competition, the Chinese oilseed sector is expanding and consolidating with the opening of large-scale, world-class, processing plants. This is part of the trend of shifting the oilseed crushing sector away from mature markets where the processing plants tend to be older and smaller, technology more dated and regional production is stable. Instead investment in oilseed processing is occurring in countries with low input and labour costs. China is choosing to import its soybeans to support its crushing sector and capture value added instead of importing vegetable oils and protein meals.

WORLD TRADE

Oilseeds Exported to Europe and Asia

Since 1964, world trade in oilseeds and oilseed products has increased by almost 900% from 9 Mt to a projected 80 Mt for 2003-2004. During the 1970s and 1980s, most of the international trade consisted of exports from the US into the EU where the oilseeds were crushed and consumed locally or transhipped to third countries. During the 1990s, most of the growth in world trade has occurred with the expansion of soybean production in North and South America to supply Asian demand in the Pacific region.



Higher World Trade Growth in Oilseeds than Protein Meals

Over the medium-term, strong income and population growth in developing countries is expected to result in increased demand for vegetable oils for food consumption and for protein meals used in livestock production. This in turn is expected to increase trade. Many countries that are unable to expand oilseed production are expected to invest in oilseed crushing capacity, for example, China, some parts of North Africa, the Middle East and South Asia. Consequently, international trade in oilseeds is expected to expand at a faster rate than for protein meals. However, strong competition in international protein meal markets is expected to pressure crushing margins and shift some of the import demand for oilseeds to less-expensive protein meals.

Trade in Vegetable Oils Dominated by Palm Oil

World trade in vegetable oils has increased by 1,800% since 1964, from about 2 Mt to an expected 37 Mt for 2003-2004. Global trade in vegetable oils has expanded by over 25% since the 1999-2000 crop year, led largely by the expanded trade in palm oil. While palm oil in terms of production is the second largest oil produced, it is expected to make up over one-half of the oil traded worldwide in 2003-2004. By contrast, soyoil makes up one quarter of total world vegetable oil trade. For 2003-2004, world trade in vegetable oils is forecast at slightly over 37 Mt, of which 20 Mt are palm oil, almost 10 Mt is soyoil and only slightly over 1 Mt is canola/rapeseed oil.

Soybean Meal Most Important Protein Meal

World trade in protein meals has grown

from 6.0 Mt in 1964 to an expected 60 Mt for 2003-2004. About four-fifths of this trade currently consists of soybean meal which originates from Argentina, the US and Brazil and is shipped into the EU or China. Canola/rapemeal makes up about 4% of the world trade in protein meals. Every year, Canada exports about 0.8 Mt to 1.2 Mt of canola meal largely to the US.

China to Influence Composition of World Trade

Because of its sheer size, China's policy of expanding domestic crushing capacity, instead of importing vegetable oils and protein meals, will influence the composition of world trade and increase the demand for oilseeds at a faster rate than otherwise would be the case.

One of China's commitments to entering the World Trade Organization (WTO) was the adoption of tariff rate quotas (TRQ) for vegetable oils. An increasing amount of vegetable oil will be imported at a preferential in-quota tariff of 9%, while out-of-quota imports face a tariff of 41.6%. The TRQ system will be terminated on January 1, 2006 and at that time, the tariff on all vegetable oil will be reduced to 9%.

China is expected to account for over 70% of the world's growth in soybean trade by 2013-2014. Import demand from the rest of Asia is expected to decline over the same time period as the Pacific regions switch from importing feedstuffs to importing meat and other livestock products.

Prices Drop, then Strengthen Slightly over the Medium-Term

In the short-term, soybean prices are expected to drop significantly as the supply-demand situation improves with the

harvesting of the South American crop.

Over the medium-term, prices for oilseeds, protein meals and vegetable oils are forecast by USDA to strengthen as rising production and income growth support additional vegetable oil and meal consumption. The benchmark US on-farm price for soybeans is projected to drop sharply from 2003-2004 levels of US\$7.35/bu to the low US\$5.00/bu and rise slowly over the medium-term. Similarly, soyoil prices are expected to fall from an expected US\$0.31 a pound (/lb) in 2003-2004, to US\$0.28/lb before rising slowly. The benchmark US soymeal price is expected to fall from a high of US\$255/st in 2002-2003 to about US\$218/st before rising slowly over time.

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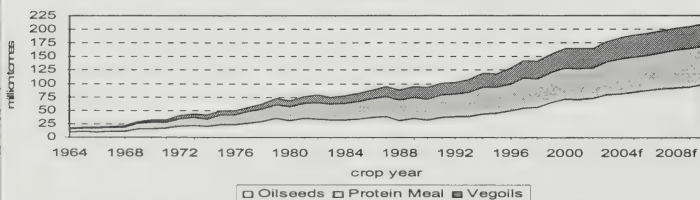
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WORLD: OILSEEDS, PROTEIN MEAL AND VEGOIL TRADE



f. forecast, AAFC based on USDA Medium Term Outlook, March 2004
Source: USDA

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CANADA: MARKET OPPORTUNITIES

Overview of Canadian Oilseed Sector

Canola, flaxseed, and soybeans make up 95% of total oilseed production in Canada. Canola and flaxseed are mostly grown in western Canada, while soybean production is concentrated in eastern Canada. The area seeded to the three major oilseeds in Canada increased from a low of 3.7 Mha in 1990-1991 to 6.5 Mha in 2003-2004.

About one-half of the oilseeds in Canada are exported as seed, while the other half is crushed domestically for oil and meal. Roughly one-half of the oil is processed in Canada, while the other half is exported. Although some meal is exported, Canada is a net importer of protein meal.

Canola

Canola makes up about two-thirds of the oilseeds produced in Canada. Saskatchewan, Alberta, and Manitoba represent about 44%, 32%, and 22%, of total output respectively, with a small amount grown in British Columbia, Ontario, and Quebec. Canola area has ranged from a low of 2.9 Mha in 1989-1990 to a high of 5.6 Mha in 1999-2000. The expansion in seeded area is largely due to the favourable returns for canola versus the relative returns for competing crops, the need for cash flow and the need for producers to diversify into more profitable crops. Genetically modified (GM) canola was introduced in the mid-1990s, and by 2003 accounted for 68% of the area seeded to canola with Round Up Ready canola at 45% and Liberty canola at 23%.

Canola production increased from a modern day low of 3.2 Mt in 1989-1990 to a high of 8.8 Mt in 1999-2000 before dropping to 6.7 Mt for 2002-2003. Most of the canola produced is the longer season Argentine variety (95%), with some Polish canola production occurring in short growing regions. Canada is the second largest producer of canola in the world and the largest exporting country.

Canada crushes about one-half of its canola crop. Canola typically produces about 42% oil which varies slightly from year to year depending on growing conditions. Canola oil is prized for its low levels of saturated fats compared to other vegetable oils. It is high in monounsaturated fat, which has been shown to reduce serum cholesterol levels and has moderate levels of polyunsaturated fat which is essential to human diet.

Canola oil is used in salad oils, shortening, margarine, coffee whiteners, cookies, breads and fried snacks and it is also used in a number of inedible products such as cosmetics and printing inks. Canola meal is used as a protein supplement in livestock rations and is popular in dairy rations for its ability to "bypass" the rumen on its way to the little intestine. This increases the protein availability to the milk cow.

About 70% of the canola oil and 62% of the canola meal are exported with the US being major destination. The other half of canola crop is exported as seed for crushing, with Japan, China and Mexico currently making up the largest markets.

Soybeans

Soybeans are the second largest oilseed crop produced in Canada. Soybean area expanded from under 0.5 Mha in 1990-1991 to over 1.0 Mha for 2003-2004, due to the crop's profitability compared to wheat or corn. The expansion in area was aided with the release of new lower heat unit and herbicide tolerant varieties, which worked well with the adoption of zero-till practices. Soybeans are mostly grown in Ontario, followed by Quebec, Manitoba and the Maritimes. Production in the more northern and eastern regions of Ontario and Quebec increased during the 1990s and began expanding into Manitoba during the early 2000s. GM soybeans were commercially introduced in the mid-1990s. The adoption of GM soybeans has proceeded quickly, and by 2002, approximately 45% of the soybean area was seeded to Round Up Ready soybeans. It is estimated that about 50-55% of the soybean area in Canada was seeded to GM soybeans in 2003.

About two-thirds of the soybean crop is crushed domestically to produce soybean meal and soybean oil. Most of the soybean oil and soybean meal is consumed domestically, with limited exports occurring to the US. About one-third of the soybeans are exported, mostly to South Asia, Western Europe and the US. Exports are focused on food quality soybeans and largely consist of clear hilum and specialty varieties. Due to the good premium for organic, clear hilum and non-GM soybeans, Canadian producers have also aggressively pursued these niche markets. Soybean exporters have been pioneers in the adoption of Identity Preserved (IP) based marketing, allowing exporters to provide specific characteristic soybeans to the customer and consumer.

Flaxseed

Flaxseed accounts for about 9% of total oilseed production in Canada. The area seeded to flaxseed increased from a modern day low of 0.25 Mha in 1992-1993 to over 0.60 Mha for 2003-2004. Saskatchewan, Manitoba, and Alberta produced 65%, 32%, and 3%, respectively, of total flaxseed production in Canada during 1997-2001.

Most flaxseed is exported to the EU where it is crushed to produce linseed oil. Linseed oil is used in paints, stains and to produce linoleum flooring. Because it is used in industrial products, flaxseed and linseed oil prices tend not to trend vegetable oil prices too closely.

Whole flaxseed is also used in baking and in livestock rations because it provides health benefits for humans. For example, by feeding full-fat flaxseed in hen laying rations, producers have created an Omega-3 fatty acid enriched egg. The food market is a small, but growing market as people increasingly become concerned about health issues. Canada is the world's largest producer and exporter of flaxseed.

Medium-Term Outlook

Over the medium-term, the area seeded to oilseeds in Canada is projected to remain steady and range between 6 and 7 million hectares. Reflecting improved yields, total production is forecast to increase steadily and exceed 12 Mt by 2013. Similarly, over the medium-term, exports are projected to grow at a faster pace than the domestic processing industry. In part this is a reflection of the tariff structure in importing countries that favours imports of oilseeds over vegetable oils and in part this reflects the expansion of the oilseed processing sector across Asia.

Canada: Market Opportunities

The Canadian oilseed industry is facing increased competition from the world wide growth in oilseed output and the expansion of oilseed processing in low-cost countries. Additionally, consumers in high income countries are becoming increasingly health conscious and concerned about the nutritional content of their food.

Canola: Trans-fat labelling regulations spurring innovation

On July 11, 2003, the US Food and Drug Administration announced that it would amend its regulations on nutrition labelling to regulate that *trans* fatty acids be declared in the nutrition labelling of conventional foods. This regulation would become effective January 1, 2006. In response to this regulation and the perceived market opportunities it may create, the Canadian oilseed industry is embarking on a multi-prong initiative. The canola producers and processors are promoting the low-saturated fat content of current conventional varieties, while private canola breeding companies in Canada are breeding high-oleic, low-linolenic, canola varieties. These specialty oil varieties do not require hydrogenation, a process which partially hardens a vegetable oil and creates trans-fats. The high-oleic, low-linolenic canola oil can also be used in deep frying allowing canola oil to diversify out of the salad or cooking oil segment of the edible oil market where it is now mostly consumed.

Soybeans: Diversify into Niche Markets

The Canadian soybean industry is focusing on human consumption of soybeans and is producing and marketing specialty soybeans for the tofu, miso and natto markets in Asia. A recent marketing trip by Canadian soybean exporters discovered that Hong Kong was producing tofu for export into Europe, using soybeans imported from North America.

Flaxseed: Research in Health Benefits

The flaxseed industry continues to investigate and promote the health benefits of flaxseed with the latest initiative exploring possible improvements in feed efficiency and antibiotic response in feedlot cattle consuming minor quantities of flaxseed. This follows on research investigating the health benefits of Omega-3 fats and the nutraceutical benefits of flaxseed.

Vegetable Oil: Expanding Industrial Use

While vegetable oil is mostly consumed in human diets, the Canadian oilseed industry is working to expand the industrial market. In 2003, the Biodiesel Association of Canada was formed to promote the industrial use of vegetable oils as diesel. The Association's mission is to promote the development of a Canadian biodiesel industry and the key activities are working to harmonize the policies and regulations affecting the industry, expand demand for biodiesel, and maintain an information centre on biodiesel.

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CANADA: OILSEED SUPPLY AND DISPOSITION			
<i>August-July crop year</i>	2002 -2003	2003 -2004f	2004 -2005f
	.....million tonnes.....		
Carry-in Stocks	1.61	1.17	1.05
Production	7.19	9.69	11.22
Imports	<u>0.92</u>	<u>0.90</u>	<u>0.59</u>
Total Supply	9.72	11.76	12.86
Crush	3.99	4.75	4.95
Exports	3.69	4.88	5.30
Other Use	<u>4.86</u>	<u>5.83</u>	<u>6.03</u>
Total Consumption	8.55	10.71	11.33
Carry-out Stocks	1.17	1.05	1.52
f: forecast, AAFC, April 2004			
Source: AAFC			



CANADA: GRAINS AND OILSEEDS OUTLOOK

April 1, 2004

For 2004-05, total production of grains and oilseeds in Canada is forecast by Agriculture and Agri-Food Canada (AAFC) to increase by 4%, to 61.6 million tonnes (Mt), versus the 10-year average of 58.5 Mt. In western Canada, seeded area is expected to shift out of wheat and coarse grains into oilseeds. In eastern Canada, a sharp drop in winter wheat area is forecast to be offset by an increase in corn and soybean area. In western Canada, production is forecast to increase to 46.3 Mt from 44.1 Mt in 2003-04, assuming normal growing conditions during 2004. At present, subsoil moisture across most of the Prairie provinces remains low, and timely spring and summer rains will be needed to achieve normal yields. AAFC's yield forecasts for Saskatchewan and Alberta are slightly below trend, although generally above 2003-04, with trend yields assumed for the rest of Canada. Total exports of grains and oilseeds are projected to increase marginally, with higher coarse grain and oilseed exports more than offsetting lower wheat exports. Feed use projections are based on the assumption that the US border closure to Canadian cattle, related to bovine spongiform encephalopathy (BSE), will be resolved for the 2004-05 crop year.

Average world prices for low and medium quality wheat are expected to decline, due to increased production in the EU, Ukraine and Russia, while high quality wheat prices are forecast to be unchanged to slightly higher. Corn prices are projected to increase due to declining US stocks. Soybean prices are forecast to decrease from the 2003-04 level, as a result of increased US production. In Canada, prices for all grains and oilseeds will be pressured by the stronger Canadian dollar relative to the US dollar. The major factors to watch are: demand from China, EU grain export policy, winter wheat production in the major producing countries, US seeded areas, developments regarding the cattle trade, ocean freight rates, and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2003-04, exports are forecast at 12.5 Mt, vs. 6.2 Mt in 2002-03, with a record 1.3 Mt from Ontario. Carry-out stocks are forecast to remain historically low, at 4.1 Mt.

For 2004-05, Canadian production is forecast to decline slightly, due to lower Ontario production, which is projected to decline by 27%. Domestic use is expected to increase by 4%, with feed use rising to a near-normal 3.4 Mt, assuming normal crop quality. Exports are projected to decline by 4%, as a result of reduced exports from Ontario. The Canadian Wheat Board (CWB) March Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$205/t, in-store Vancouver/St. Lawrence (I/S VC/SL), \$1/t below 2003-04. Premiums for higher quality wheat are expected to rise, however, assuming a normal, lower quality, crop, with the PRO for No.1 CWRS 13.5% at \$217/t, \$5/t above 2003-04.

DURUM

For 2003-04, exports are forecast to rise by 11%, to 3.3 Mt, but remain below normal due to higher production in North Africa. Carry-out stocks are projected to increase by 14%, to 1.9 Mt.

For 2004-05, production is forecast to increase by 12%, due to higher yields. Total supplies are forecast at 6.7 Mt, vs. the 10-year average of 6.2 Mt. Exports are projected to decline to 3.2 Mt, however, due to increased EU and North African production. Carry-out stocks are forecast to rise by 37%, to 2.6 Mt, vs the 10-year average of 1.7 Mt. Due to limited export demand, the CWB is expected to restrict durum deliveries, and farm stocks are forecast to double, to 1.2 Mt. The CWB PRO for No.1 CWAD 11.5% protein is \$193/t, I/S VC/SL, \$22/t below 2003-04. No.1 CWAD 11.5% is forecast to be at \$12/t discount to No.1 CWRS 11.5%, the first such discount since 1990-91.

BARLEY

For 2003-04, exports are forecast at 2.4 Mt, vs. 0.9 Mt in 2002-03. Carry-out stocks are expected to increase by 60%, to 2.3 Mt.

For 2004-05, production is forecast to

decrease slightly, as higher yields are more than offset by lower area. Total supplies are expected to rise by 5%. Domestic use is forecast to increase due to higher feed demand. Malting barley exports are expected to increase due mainly to stronger demand from China. Feed barley exports are forecast to decrease as a result of stronger competition from Europe and lower overseas prices. Total exports are expected to remain at 2.4 Mt. Carry-out stocks are projected to rise by 9% from 2003-04 to 2.5 Mt. Off-Board prices are forecast to average \$130/t for No.1 CW Feed, the same as for 2003-04. The March CWB PRO for No.1 CW Feed is \$132/t, \$27/t below 2003-04. The March CWB PRO for Special Select Two Row designated barley is \$182/t, vs \$198/t for 2003-04.

OATS

For 2003-04, exports are forecast to rise by 18%, to 1.4 Mt. Carry-out stocks are projected to increase by 43%, to 0.8 Mt.

For 2004-05, production is forecast to increase by 10% to 4.1 Mt, due to higher yields and lower abandonment. Supplies are expected to rise by 14%, to 4.9 Mt. Domestic use is forecast to increase due to higher feed demand. Exports, mainly to the US, are projected to increase due to higher supply in Canada and less competition from Finland and Sweden. Carry-out stocks are expected to rise by 29%. Oat prices are forecast at C\$135/t for US No. 2 Heavy, CBoT nearby futures, \$5/t lower than for 2003-04.

CORN

For 2003-04, imports are forecast to decrease sharply, to 2.2 Mt, due to increased barley production. Carry-out stocks are expected to remain at 1.1 Mt.

For 2004-05, production is forecast to rise slightly, as higher area more than offset lower yields. Imports are forecast to drop by 9% to 2.0 Mt, with 1.5 Mt to eastern Canada and 0.5 Mt to western Canada. Domestic use is expected to fall slightly. The average price is forecast at \$140/t for No. 2 CE corn, I/S Chatham, up \$5/t from 2003-04, as higher US corn prices more than offset the stronger Canadian dollar.

CANOLA

For 2003-04, exports and domestic crush are

expected to increase due to higher supplies.

Carry-out stocks are expected to decline.

For 2004-05, production is forecast to increase by 13%, due to higher seeded area. Supplies are forecast to rise, resulting in higher exports and domestic crush. Exports to China and Mexico are forecast to increase. Carry-out stocks are expected to rise by 25%. The price of canola is forecast to fall to \$350/t, I/S VC, from \$385/t in 2003-04, due to higher world oilseed production.

FLAXSEED (excluding solin)

For 2003-04, exports are expected to decline marginally despite increased supplies.

Carry-out stocks are forecast to fall marginally. For 2004-05, production is forecast to rise due to increased seeded area and higher yields.

Exports are projected to increase due to continued strong demand from the EU. Prices are forecast to fall by 11% to \$315/t, I/S Thunder Bay, due to higher supplies.

SOYBEANS

For 2003-04, imports are expected to remain stable despite reduced production. Domestic use is forecast to fall, while exports rise.

Carry-out stocks are projected to decrease.

For 2004-05, production is forecast to increase sharply due to a return to normal yields and higher seeded area. Domestic use is projected to rise slightly while exports remain stable. The average price of soybeans is forecast to fall to \$300/t, I/S Chatham, from \$370/t expected for 2003-04, due to higher soybean production in the US and South America.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

April 1, 2004

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use (e)	Feed, Waste & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (f) \$/t
----- thousand metric tonnes-----											
Durum											
2002-2003	2,246	1.73	3,877	6	5,427	2,968	279	283	799	1,660	271.23
2003-2004f	2,459	1.74	4,280	1	5,941	3,300	270	241	741	1,900	215 *
2004-2005f	2,390	2.00	4,770	2	6,672	3,200	275	377	872	2,600	193 *
Wheat Except Durum											
2002-2003	6,590	1.87	12,321	173	17,678	6,223	2,767	3,904	7,465	3,990	241.00
2003-2004f	8,009	2.41	19,272	20	23,282	12,500	2,685	3,227	6,682	4,100	206 *
2004-2005f	7,780	2.44	18,950	20	23,070	12,000	2,700	3,460	6,970	4,100	205 *
All Wheat											
2002-2003	8,836	1.83	16,198	178	23,105	9,191	3,046	4,188	8,264	5,650	
2003-2004f	10,467	2.25	23,552	21	29,223	15,800	2,955	3,468	7,423	6,000	
2004-2005f	10,170	2.33	23,720	22	29,742	15,200	2,975	3,837	7,842	6,700	
Barley											
2002-2003	3,348	2.24	7,489	259	9,795	939	181	6,796	7,415	1,441	171.88
2003-2004f	4,446	2.77	12,328	50	13,819	2,400	320	8,394	9,119	2,300	120-140
2004-2005f	4,125	2.96	12,210	50	14,560	2,400	375	8,830	9,660	2,500	115-145
Corn											
2002-2003	1,283	7.01	8,999	3,904	13,958	308	2,385	10,121	12,540	1,111	145.34
2003-2004f	1,226	7.82	9,587	2,200	12,898	200	2,550	9,013	11,598	1,100	125-145
2004-2005f	1,300	7.44	9,670	2,000	12,770	300	2,650	8,685	11,370	1,100	125-155
Oats											
2002-2003	1,379	2.11	2,911	21	3,294	1,189	128	1,226	1,546	559	193.91
2003-2004f	1,575	2.34	3,691	20	4,270	1,400	170	1,705	2,070	800	130-150
2004-2005f	1,600	2.54	4,065	20	4,885	1,500	170	1,910	2,285	1,100	120-150
Rye											
2002-2003	77	1.74	134	2	185	52	38	43	103	30	
2003-2004f	147	2.22	327	1	358	50	47	193	258	50	
2004-2005f	180	2.14	385	2	437	80	48	212	277	80	
Mixed Grains											
2002-2003	132	2.72	359	0	359	0	0	359	359	0	
2003-2004f	135	2.84	384	0	384	0	0	384	384	0	
2004-2005f	130	2.88	375	0	375	0	0	375	375	0	
Total Coarse Grains											
2002-2003	6,218	3.20	19,892	4,185	27,591	2,488	2,731	18,544	21,963	3,141	
2003-2004f	7,529	3.50	26,317	2,271	31,729	4,050	3,087	19,689	23,429	4,250	
2004-2005f	7,335	3.64	26,705	2,072	33,027	4,280	3,243	20,012	23,967	4,780	
Canola											
2002-2003	3,262	1.28	4,178	240	5,667	2,394	2,225	116	2,379	894	415.09
2003-2004f	4,689	1.42	6,669	225	7,788	3,500	3,100	343	3,488	800	370-400
2004-2005f	5,387	1.40	7,515	215	8,530	3,900	3,200	385	3,630	1,000	330-370
Flaxseed											
2002-2003	633	1.07	679	27	892	577	n/a	n/a	186	129	401.97
2003-2004f	728	1.04	754	20	903	575	n/a	n/a	203	125	340-370
2004-2005f	747	1.26	940	20	1,085	600	n/a	n/a	185	300	295-335
Soybeans											
2002-2003	1,024	2.28	2,336	651	3,159	722	1,763	458	2,291	145	307.55
2003-2004f	1,047	2.17	2,268	650	3,063	800	1,650	418	2,138	125	355-385
2004-2005f	1,092	2.46	2,690	350	3,165	800	1,750	395	2,215	150	280-320
Total Oilseeds											
2002-2003	4,919	1.46	7,193	918	9,718	3,694	n/a	n/a	4,856	1,168	
2003-2004f	6,464	1.50	9,692	895	11,755	4,875	n/a	n/a	5,830	1,050	
2004-2005f	7,226	1.54	11,145	585	12,780	5,300	n/a	n/a	6,030	1,450	
Total Grains And Oilseeds											
2002-2003	19,973	2.17	43,282	5,280	60,414	15,373	n/a	n/a	35,083	9,959	
2003-2004f	24,461	2.43	59,561	3,187	72,707	24,725	n/a	n/a	36,682	11,300	
2004-2005f	24,731	2.49	61,570	2,679	75,549	24,780	n/a	n/a	37,839	12,930	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No. 1 CWRS 11.5% protein and No. 1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No. 2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures);

Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* March 2004 CWB Pool Return Outlook (PRO)

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

f. Agriculture and Agri-Food Canada forecast, April 1, 2004

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

April 1, 2004

For 2004-05, total area seeded to pulse and special crops in Canada is forecast to decrease by 5% from 2003-04, as higher area for lentils is more than offset by lower areas for dry peas, dry beans, mustard seed and sunflower seed. Area seeded for chick peas, canary seed and buckwheat is forecast to be the same as in 2003-04. It is assumed that precipitation will be normal for the spring and summer. However, for Saskatchewan and Alberta, due to low soil moisture reserves in most areas, yields are forecast to be below trend but, in general, higher than in 2003-04. For the other provinces, trend yields are assumed. It has been assumed that the abandonment rate and average quality will be normal. Total production in Canada is forecast to increase by 7% to 3.95 Mt. Total supply is expected to increase by 4% to 4.57 Mt. Exports, domestic use and carry-out stocks are forecast to increase due to the higher supply.

Average prices, compared to 2003-04, are forecast to increase for dry beans, chick peas and sunflower seed, decrease for dry peas, lentils, mustard seed and canary seed, and be the same for buckwheat. However, prices are expected to be very sensitive to any production problems due to low world carry-in stocks for most crops. The main factor to watch will be precipitation during the spring and summer in western Canada. Other factors to watch are the exchange rate of the Canadian dollar against the US dollar and other currencies, ocean shipping rates, and growing conditions in major producing countries, especially the US, India, France and Turkey.

DRY PEAS

For 2003-04, due to higher production and supply, and strong demand, exports are forecast to increase sharply. The average price is forecast to decrease, compared to 2002-03, as carry-out stocks fall, with a stocks-to-use ratio (s/u) of 11%.

For 2004-05, the area seeded is forecast to decrease by 5%. Production and supply are forecast to increase due to expected higher yields. World supply is expected to increase by 2% to 11.7 Mt because of higher production in Canada and the EU, but this is expected to be mostly offset by increased use. Canadian exports and domestic use are forecast to increase due to higher supply and lower prices. Carry-out stocks are forecast to increase, with a s/u of 13%. The average price, compared to 2003-04, over all types, grades and markets, is forecast to decrease due to the higher supply.

LENTILS

For 2003-04, due to higher production and supply, Canadian exports are forecast to increase. The average price is forecast to increase, as higher average quality more than offsets the pressure from increased supply. Carry-out stocks are expected to decrease to a low level, with a s/u of 4%.

For 2004-05, the seeded area is forecast to increase by 5%. Production and supply are forecast to increase due to the higher seeded area and expected higher yields. World supply is forecast to increase marginally to 3.33 Mt. Canadian exports are expected to increase, as Canada's share of world supply increases. Carry-out stocks are forecast to increase, with a s/u of 8%. The average price, over all types and grades, is forecast to decrease due to the higher supply in Canada, especially for green lentils.

DRY BEANS

For 2003-04, production and supply decreased significantly in Canada and the US. Canadian exports are forecast to increase because of strong demand. Carry-out stocks are expected to decrease, with a s/u of 12%, and the average price is forecast to increase.

For 2004-05, area seeded is forecast to decrease by 5%. Production and supply are expected to decrease, due to the lower seeded area and a return to normal yields, which are lower than yields in 2003-04. In the US, seeded area,

production and supply are forecast to decrease. Canadian exports are forecast to decrease due to lower supply. Carry-out stocks are expected to decrease, with a s/u of 5%. The average price, over all classes and grades, is forecast to increase due to the lower supply.

CHICK PEAS

For 2003-04, due to lower production and supply, exports are forecast to decrease. Carry-out stocks are expected to decrease, with a s/u of 17%. The average price is forecast to increase because of higher average quality.

For 2004-05, the area seeded is forecast to be the same as in 2003-04, with higher production for the large kabuli type, relative to the desi and small kabuli types. Production is expected to decrease marginally due to an expected return to a normal abandonment rate which is higher than in 2003-04. Supply is forecast to decrease, due mainly to lower carry-in stocks. Total world supply is expected to decrease by 6% to 8.1 Mt. Canadian exports are forecast to decrease due to the lower supply. Carry-out stocks are expected to decrease to a low level. The average price, over all types, grades and sizes, is forecast to increase due to the lower supply.

MUSTARD SEED

For 2003-04, due to higher production and supply, exports are forecast to increase. Carry-out stocks are expected to increase, with a s/u of 52% and the average price is forecast to decrease sharply.

For 2004-05, area seeded is expected to decrease by 25%. Production is forecast to decrease, while supply increases slightly, as the decrease in production is more than offset by higher carry-in stocks. Although exports are expected to rise, carry-out stocks are forecast to remain stable, with a s/u ratio of 49%. The average price, over all types and grades, is expected to decrease slightly due to the higher supply.

CANARY SEED

For 2003-04, due to higher production and supply, exports are forecast to increase. Carry-out stocks are expected to increase, with a s/u ratio of 20%. The average price is forecast to decrease sharply due to the higher supply.

For 2004-05, area seeded is expected to be the same as in 2003-04. Production and supply are forecast to increase due to higher yields and

higher carry-in stocks. Total world supply is forecast to increase by 10% to 325,000 t. Although Canadian exports are expected to increase, due to lower prices, carry-out stocks are forecast to increase, with a s/u ratio of 26%. The average price is forecast to decrease, due to the higher supply.

SUNFLOWER SEED

For 2003-04, due to higher supply and strong demand, exports and domestic use are expected to increase. Carry-out stocks are forecast to decrease, with a s/u ratio of 17%. The average price is forecast to decrease due to the higher supply of the oilseed type.

For 2004-05, area seeded is expected to decrease by 5%. Production and supply are forecast to increase due to expected higher yields. In the US, seeded area, production and supply are forecast to decrease. Total world supply is expected to remain stable at 26.9 Mt. Canadian exports and domestic use are forecast to increase. Carry-out stocks are expected to remain stable, with a s/u of 16%. The average price, over both types and all grades, is forecast to increase because of a decrease in total US and Canadian supply.

BUCKWHEAT

For 2003-04, due to lower production and supply, exports are expected to remain stable, while carry-out stocks decrease. The average price is forecast to increase due to the lower supply.

For 2004-05, area seeded and production are forecast to be the same as in 2003-04, while supply decreases due to lower carry-in stocks. Exports are forecast to remain stable and carry-out stocks are expected to be very low. The average price is forecast to be the same as in 2003-04, as lower Canadian supply is offset by slightly higher world supply.

FURTHER INFORMATION:

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

April 1, 2004

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----									
Dry Peas									
2000-2001	1,220	2.35	2,864	12	3,276	2,196	885	195	138
2001-2002	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004f	1,271	1.67	2,124	25	2,459	1,350	859	250	155-185
2004-2005f	1,210	1.95	2,360	25	2,635	1,450	885	300	140-170
Lentils									
2000-2001	688	1.33	914	5	999	475	268	256	295
2001-2002	664	0.85	566	6	828	478	219	131	320
2002-2003	387	0.91	354	9	494	320	119	55	390
2003-2004f	536	0.97	520	5	580	430	130	20	390-420
2004-2005f	570	1.10	625	5	650	460	140	50	360-390
Dry Beans									
2000-2001	162	1.65	268	40	348	227	71	50	465
2001-2002	175	1.70	298	42	390	263	97	30	725
2002-2003	219	1.89	414	40	484	297	117	70	445
2003-2004f	167	2.14	357	35	462	325	87	50	480-510
2004-2005f	160	1.88	300	40	390	285	85	20	530-560
Chick Peas									
2000-2001	283	1.37	388	5	408	179	199	30	410
2001-2002	467	0.97	455	12	497	147	210	140	380
2002-2003	154	1.01	156	9	305	104	141	60	300
2003-2004f	63	1.08	68	10	138	75	43	20	310-340
2004-2005f	60	1.08	65	15	100	45	45	10	325-355
Mustard Seed									
2000-2001	208	0.97	202	1	318	151	62	105	280
2001-2002	158	0.66	105	3	213	171	9	33	685
2002-2003	255	0.60	154	9	196	114	22	60	595
2003-2004f	328	0.69	226	5	291	155	36	100	375-405
2004-2005f	250	0.80	200	3	303	165	38	100	370-400
Canary Seed									
2000-2001	164	1.04	171	0	261	170	21	70	265
2001-2002	163	0.70	114	0	184	134	20	30	660
2002-2003	227	0.78	176	0	206	164	22	20	575
2003-2004f	243	0.91	220	0	240	170	30	40	335-365
2004-2005f	245	0.92	225	0	265	175	35	55	295-325
Sunflower Seed									
2000-2001	69	1.72	119	18	178	77	55	46	320
2001-2002	67	1.55	104	29	179	92	65	22	355
2002-2003	95	1.65	157	21	200	105	60	35	440
2003-2004f	115	1.30	150	20	205	110	65	30	365-395
2004-2005f	105	1.57	165	20	215	115	70	30	375-405
Buckwheat									
2000-2001	15	0.93	14	1	16	9	7		305
2001-2002	14	1.14	16	1	17	6	8	3	325
2002-2003	12	1.00	12	1	16	6	7	3	340
2003-2004f	9	1.11	10	1	14	6	7	1	340-370
2004-2005f	9	1.11	10	1	12	6	6	0	340-370
Total Pulse and Special Crops (c)									
2000-2001	2,809	1.76	4,940	82	5,804	3,484	1,568	752	
2001-2002	2,993	1.23	3,681	120	4,553	2,672	1,217	664	
2002-2003	2,399	1.16	2,788	130	3,582	1,738	1,231	613	
2003-2004f	2,732	1.35	3,675	101	4,389	2,621	1,257	511	
2004-2005f	2,609	1.51	3,950	109	4,570	2,701	1,304	565	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f. forecast, Agriculture and Agri-Food Canada, April 1, 2004

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

PRICE OF FEED INGREDIENTS AT SELECTED PLANTS										April 5, 2004									
SELECTED POINT	PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	April 5, 2004	FOB		195.00	N/A	178.00	212.00		504.50	339.00	145.00			900.00	520.00				470.00
BC	March 29, 2004	FOB		185.00	N/A	164.00	211.50		497.50	331.00	142.00			900.00	520.00				470.00
Calgary	April 5, 2004	FOB		164.00	N/A	154.00	195.00		506.00	N/A				950.00	555.00				430.00
AB	March 29, 2004	FOB		154.00	N/A	140.00	186.00		479.50	N/A				950.00	555.00				430.00
Saskatoon	April 5, 2004	FOB		153.00	154.00	127.50	174.00		441.67	235.00				250.00	N/A		195.00		470.00
SK	March 29, 2004	FOB		154.00	154.00	128.00	174.00		419.67	235.00				200.00	N/A		194.33		470.00
SK	April 5, 2004	FOB																	
Winnipeg	March 29, 2004	FOB		149.00	135.00	116.00	175.00		405.50	235.00				290.00	895.00				411.00
MB	April 5, 2004	FOB		149.00	135.00	116.00	163.00		385.50	235.00				290.00	895.00				411.00
Thunder Bay	March 29, 2004	In-Store		179.65	N/A	149.80													
ON	April 5, 2004	In-Store		175.00	N/A	145.00													
Lake Ports	March 29, 2004	On Board					173.76												
USA	April 5, 2004	Vessel					161.35												
Bay Ports	March 29, 2004	In-Store		210.00	230.00	165.00													
ON	April 5, 2004	In-Store		210.00	230.00	N/A													
Chatham	March 29, 2004	Track					171.94												
ON	April 5, 2004	Track					160.42												
Toronto	March 29, 2004	N/A																	
ON	April 5, 2004	N/A						FOB											
Hamilton	March 29, 2004	N/A							451.00	N/A				450.00	450.00	600.00	141.00		400.00
ON	April 5, 2004	N/A							438.90	N/A				270.00	N/A	600.00	141.00		396.00
ON	March 29, 2004	FOB																	
ON	April 5, 2004	FOB					173.03												
ON	March 29, 2004	FOB					159.98												
London	April 5, 2004	FOB																	
ON	March 29, 2004	FOB														600.00	141.00		
Port Colborne	April 5, 2004	FOB														600.00	141.00		
ON	March 29, 2004	FOB														600.00	141.00		
Cardinal	April 5, 2004	FOB														600.00	141.00		
ON	March 29, 2004	FOB														600.00	141.00		
Montreal	April 5, 2004	FOB		N/A	N/A	N/A	N/A		503.74	328.27	147.33	292.00	850.00	446.00	450.00	600.00	141.00		
QC	March 29, 2004	FOB		N/A	N/A	N/A	N/A		487.17	307.09	142.33	270.00	850.00	441.00	441.00	600.00	141.00	267.00	410.00
QC	April 5, 2004	In-Store		214.80		190.10	197.04									600.00	141.00	265.00	400.00
Trois-Rivières	March 29, 2004	QC		203.50		177.60	185.23												
St. Jean QC	April 5, 2004	FOB		201.66	156.22	181.95	165.63		497.30										
QC	March 29, 2004	FOB		193.86	152.74	172.79	156.01												
St. Hyacinthe QC	April 5, 2004	In-Store		212.87	N/A	197.36	189.03		508.88										
Quebec	March 29, 2004	QC		204.67	N/A	194.95	184.52		491.43										
ON	April 5, 2004	Track		234.91	230.00	214.19	207.87		503.20	360.68									
Turo	March 29, 2004	Water		227.66	230.00	204.24	205.84		487.33	353.89									
MS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
ON	March 29, 2004	Water		N/A	N/A	N/A	N/A												
ON	April 5, 2004	& Truck		N/A	N/A	N/A	N/A												
Halifax	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	April 5, 2004	In-Store		N/A	N/A	N/A	N/A												
NS	March 29, 2																		

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: Corinne Bruneau Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: bruneauc@agr.gc.ca
 N/A = not available
 US\$1.00=CAN\$1.3156, closing date April 2, 2004

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat No. 1 Canada Western or Eastern Feed...

Soybean Meal 48% Protein. Canola Meal based on minimum standard of 35% Protein. Each Meal... No. 2 Canada Yellow Corn, No. 3 US Yellow Corn.

Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #2 or #3 (3) U.S. Corn (A) No. 1 Yellow (B) No. 2 Yellow

(2) Canadian Corn #5 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & B

B. CASH PRICES AND REPLACEMENT VALUES

April 5, 2004

PRAIRIE GRAINS

Selected Points	Price Basis		This week 5-Apr-04	Last week 22-Mar-04	Month ago 8-Mar-04	Year ago 7-Apr-03
From: Thunder Bay(WCE) (2)	In-Store	Wheat	175.00	170.00	165.00	175.00
(CBOT)		Oat	177.75	172.00	155.25	185.00
(Lethbridge)		Barley	155.60	142.00	133.00	167.00
To: Bayport, ON (1)	In-store	Wheat	198.61	193.61	188.61	198.61
		Oat	N/A	N/A	N/A	N/A
		Barley	182.99	169.39	160.39	194.39
Montreal, QC (1)	In-store	Wheat	203.03	198.03	193.03	203.03
		Oat	N/A	N/A	N/A	N/A
		Barley	187.91	174.31	165.31	199.31
Moncton, NB	Truck via Halifax	Wheat	225.25	220.25	215.25	225.25
		Oat	N/A	N/A	N/A	N/A
		Barley	212.10	198.50	189.50	223.50
Truro, NS	Truck via Halifax	Wheat	219.22	214.22	209.22	219.22
		Oat	N/A	N/A	N/A	N/A
		Barley	209.60	196.00	187.00	221.00
Halifax, NS (1)	In-store	Wheat	210.28	205.28	200.28	210.28
		Oat	N/A	N/A	N/A	N/A
		Barley	195.90	182.30	173.30	207.30
Stephenville, NL	Track / Truck via Sydney	Wheat	273.63	268.63	263.63	273.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 5-Apr-04	Last week 22-Mar-04	Month ago 8-Mar-04	Year ago 7-Apr-03
From: US Lake Port	On Board Vessel		173.76	161.35	164.55	150.66
To: Montreal, QC (1)	In-store		192.80	180.39	183.59	169.70
From: Chicago (Mi)	Track		167.55	152.78	164.55	143.13
To: Montreal, QC	Track		196.41	181.64	193.41	171.99
From: Chatham, ON	Track		171.94	160.42	160.70	161.02
To: Montreal, QC	Track		195.81	184.29	184.57	184.82

Soymeal 48% Protein

From: Hamilton, ON			451.00	438.90	407.80	261.07
To: Montreal, QC	Track		475.33	463.23	432.13	285.40
Moncton, NB	Track		494.08	481.98	450.88	304.15
Truro, NS	Track		497.30	485.20	454.10	307.37
Stephenville, NL	Track / Truck via Sydney		545.93	533.83	502.73	356.00

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

SELECTED	REFERENCE	SELECTED
A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS		

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	PRICE BASIS				SOYBEAN MEAL	CANOLA		MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	March 22, 2004		FEED PEAS	DEHY ALFALFA	FEATHER MEAL
				WHEAT	OATS	BARLEY	CORN		MEAL	MEAL					GLUTEN MEAL	GLUTEN FEED			
Vancouver	March 22, 2004	FOB	183.00	N/A	158.00	211.50		497.50	331.00		142.00	N/A	900.00	520.00					
BC	March 16, 2004		183.00	N/A	158.00	204.00		484.00	308.00		142.00	N/A	900.00	520.00					460.00
Calgary	March 22, 2004	FOB	153.00	N/A	134.00	183.00		487.50	N/A			150.00	950.00	555.00					460.00
AB	March 16, 2004		153.00	N/A	134.00	175.00		464.00	N/A			125.00	950.00	555.00					420.00
Saskatoon	March 22, 2004	FOB	149.00	154.00	124.00	174.00		427.33	235.00			150.00	N/A	555.00		191.67			420.00
SK	March 16, 2004		141.50	136.00	113.00	174.00		409.33	235.00			125.00	N/A	555.00		184.33			460.00
Melfort	March 22, 2004	FOB																	
SK	March 16, 2004																		
Winnipeg	March 22, 2004	FOB	149.00	135.00	116.00	160.00		396.00	235.00			290.00	895.00	490.00					
MB	March 16, 2004		149.00	135.00	116.00	154.00		381.00	235.00			290.00	895.00	490.00					411.00
Thunder Bay	March 22, 2004	In-Store	171.55	N/A	141.00														411.00
ON	March 16, 2004		168.95	N/A	137.50														
Lake Ports	March 22, 2004	On Board				166.10													
USA	March 16, 2004	Vessel				164.55													
Bay Ports	March 22, 2004	In-Store	197.00	225.00	N/A														
ON	March 16, 2004		194.00	225.00	N/A														
Chatham	March 22, 2004	Track				163.18													
ON	March 16, 2004					160.70													
Toronto	March 22, 2004	N/A																	
ON	March 16, 2004		207.10																
Hamilton	March 22, 2004	N/A						432.20	N/A			248.00	N/A	450.00	580.00	134.00	285.00	400.00	
ON	March 16, 2004							407.80	N/A			231.00	N/A	450.00	580.00	134.00	285.00	390.00	
Eastern	March 22, 2004	FOB																	
ON	March 16, 2004					168.58													
London	March 22, 2004	FOB				157.48													
ON	March 16, 2004																		
Port Colborne	March 22, 2004	FOB																	
ON	March 16, 2004																		
Cardinal	March 22, 2004	FOB																	
ON	March 16, 2004																		
Montreal	March 22, 2004		N/A	N/A	N/A	N/A		488.43	310.35										
QC	March 16, 2004		N/A	N/A	N/A	N/A		460.80	309.98										
St. Jean QC	March 22, 2004	In-Store	207.10		183.00	189.75													
ON	March 16, 2004		204.90		175.00	187.98													
St. Hyacinthe QC	March 22, 2004	FOB	193.10	158.03	174.91	157.45		480.67											
ON	March 16, 2004		188.82	160.91	170.13	156.12		463.76											
Quebec	March 22, 2004	In-Store	198.73	N/A	199.89	185.33		489.58											
ON	March 16, 2004		199.27	N/A	189.79	180.53		457.57											
Turo	March 22, 2004	Track	223.41	230.00	199.94	202.81		487.33	353.89										
ON	March 16, 2004		218.91	230.00	197.69	201.96		466.60	334.05										
St. S	March 22, 2004	Water	N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004	& Truck	N/A	N/A	N/A	N/A													
ON	March 16, 2004	In-Store	N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004		N/A	N/A	N/A	N/A													
St. S	March 22, 2004		N/A	N/A	N/A	N/A													
ON	March 16, 2004																		

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: Corinne Bruneau Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: bruneau@ag.gc.ca US\$1.00=CAN\$1.3310, closing date March 19, 2004

Notes: All prices in Canadian dollars per metric tonne based on survey respondents.
Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn, Soybean Meal 48 % Protein, Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.
Wheat: 3CWRS (2) Canadian Corn #3 or #2. (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

March 22, 2004

PRAIRIE GRAINS

Selected Points	Price Basis		This week 22-Mar-04	Last week 8-Mar-04	Month ago 23-Feb-04	Year ago 24-Mar-03
From: Thunder Bay(WCE) (2)	In-Store	Wheat	170.00	165.00	160.00	182.60
(CBOT)		Oat	172.00	155.25	149.75	185.75
(Lethbridge)		Barley	142.00	133.00	126.00	168.00
To: Bayport, ON (1)	In-store	Wheat	193.61	188.61	183.61	206.21
		Oat	N/A	N/A	N/A	N/A
		Barley	169.39	160.39	153.39	195.39
Montreal, QC (1)	In-store	Wheat	198.03	193.03	188.03	210.63
		Oat	N/A	N/A	N/A	N/A
		Barley	174.31	165.31	158.31	200.31
Moncton, NB	Truck via Halifax	Wheat	220.25	215.25	210.25	232.85
		Oat	N/A	N/A	N/A	N/A
		Barley	198.50	189.50	182.50	224.50
Truro, NS	Truck via Halifax	Wheat	214.22	209.22	204.22	226.82
		Oat	N/A	N/A	N/A	N/A
		Barley	196.00	187.00	180.00	222.00
Halifax, NS (1)	In-store	Wheat	205.28	200.28	195.28	217.88
		Oat	N/A	N/A	N/A	N/A
		Barley	182.30	173.30	166.30	208.30
Stephenville, NL	Track / Truck via Sydney	Wheat	268.63	263.63	258.63	281.23
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 22-Mar-04	Last week 8-Mar-04	Month ago 23-Feb-04	Year ago 24-Mar-03
Corn						
From: US Lake Port	On Board Vessel		166.10	164.55	152.78	148.18
To: Montreal, QC (1)	In-store		185.14	183.59	171.82	167.22
From: Chicago (Mi)	Track		167.15	164.55	155.95	140.55
To: Montreal, QC	Track		196.01	193.41	184.81	169.41
From: Chatham, ON	Track		163.18	160.70	153.14	157.77
To: Montreal, QC	Track		187.05	184.57	177.01	181.57

Soymeal 48% Protein

From: Hamilton, ON			432.20	407.80	375.20	260.75
To: Montreal, QC	Track		456.53	432.13	399.53	285.08
Moncton, NB	Track		475.28	450.88	418.28	303.83
Truro, NS	Track		478.50	454.10	421.50	307.05
Stephenville, NL	Track / Truck via Sydney		527.13	502.73	470.13	355.68

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

Bi-weekly Bulletin

April 23, 2004 Volume 17 Number 7

FINLAND AND SWEDEN: OATS

Canada is the main exporter of oats to the United States (US), generally accounting for about 70% of US oat imports. However, competition provided by subsidized oats from Sweden and Finland often pressures Canada's market share and prices. This issue of the *Bi-weekly Bulletin* examines the role of Finland and Sweden in the international oat market.

FINLAND

The northernmost agricultural country in the world

Finland is located in northern Europe and shares borders with Sweden to the west, Norway to the north and Russia to the east. Finland has about 1100 kilometres of shoreline, as it sits on the Gulf of Bothnia and the Baltic Sea. About 5.2 million people live in Finland, with the highest concentration in the south.

Finland is about half the size of Manitoba, with only 33.8 million hectares (Mha) of land and water. Of this, only 6%, or 2.2 Mha is considered arable. While the northern climate is moderated by the Gulf Stream, the majority of crop production occurs in the south. Barley and oats are the main crops produced. Cattle farming is more widely distributed in the central, eastern and northern areas. The average

farm size is 30 ha and crop production is the main type of farming for 54% of farmers.

Finland is a member of the European Union (EU) and uses the euro (€) as its unit of currency. The country has a highly industrialized, largely free-market economy, with per capita Gross Domestic Product (GDP) of US\$25,200 in 2003, roughly that of Germany or the Netherlands. Finland's key economic sector is manufacturing - principally forestry, metals, engineering, telecommunications and electronics industries. Because of the country's northern climate, agricultural development is limited to maintaining self-sufficiency in basic products. Agriculture contributes to about 3% of the GDP and 5% of employment.

SWEDEN

Western Europe's third largest country

Sweden is located in a strategic location along the Danish Straits, which link the Baltic and North Seas. It is bordered to the west and north by Norway and to the east by the Baltic Sea and Finland. Nearly 9 million people live in Sweden, but only 17% live in rural areas.

Sweden is the third largest country in Western Europe with a total land area of 45 Mha. About 2.7 Mha, or 6% is arable. Sweden's climate ranges from temperate in the south to subarctic in the north. Animal husbandry is the main type of farming practised, although crop production is dominant in central Sweden. The main crops produced are cereal crops and fodder crops, with an emphasis on barley, wheat and oats. The average farm size is 38 ha.

EUROPEAN UNION: EXPORT SUBSIDIES ON OATS

crop year	Average Refund (US\$/t) .....July-June.....	Volume (kt)	Average Oats Price (CBot nearby futures, US\$/t) .....August-July.....	Average Corn Price
1997-1998	32.64	771	99.58	100.77
1998-1999	66.74	524	77.14	84.11
1999-2000	62.23	476	75.21	82.00
2000-2001	31.53	683	75.14	81.50
2001-2002	3.78	44	125.40	83.92
2002-2003	18.71	346*	128.10	94.02
2003-2004 (to date)	23.24	318	102.37	101.84

* 2002-2003 includes 132 kt of oats exported, but not subsidized

Source: European Commission, Pacific Exchange Rate Service and Chicago Board of Trade, April 2004

Sweden joined the EU in 1995, although it has retained its own currency, the *krona*. Forestry, hydro power and iron ore are the main natural resources and the economy is heavily oriented toward foreign trade. Sweden's per capita GDP was US\$25,800 in 2003, similar to that of Finland. Agriculture is a minor industry, accounting for only 2% of GDP and 2% of employment.

Agricultural Policy

The income support for agriculture in Finland and Sweden is based on the support measures of the Common Agricultural Policy (CAP) of the EU. In 2003, the EU member countries agreed to a reform of CAP. Changes include a



WORLD OAT TRADE IS HIGHLY CONCENTRATED

- World production of oats has averaged 28 million tonnes (Mt) over the past ten years. The major producers are, in descending order: Russia, the EU, Canada, the US and Australia.
- Within the EU, the main producers are Finland, Germany, Sweden, Spain and the United Kingdom.
- World trade of oats has averaged only 2 Mt, or 7% of production.
- The major exporters and their percentage of world trade are: Canada (61%); EU (27%), and Australia (7%).
- On average, US imports represent about 85% of world trade.

single farm payment which will be decoupled from production, a reduction in direct payments and a strengthened rural development policy. The single farm payment will come into effect as early as January 1, 2005. Special provisions have been included in this reformed policy to provide extra compensation to Finland and Sweden for the drying costs associated with cereal production in a colder climate. CAP reform is not expected to impact oats production in Finland and Sweden.

Trade Policy provides

Export Subsidies on Oats

Finland and Sweden adopted the EU internal market practices in 1995, which define their trade relations both inside the EU and with non-EU countries. Under the Common Market Organisation, cereals can be traded freely within the EU. Internal prices for most grains are supported by an intervention price which provides a floor to the market. Unlike for wheat, barley and rye, the EU does not offer an intervention price nor maintain intervention stocks for oats.

In recognition of the importance of the oat trade to Sweden and Finland, special provisions were made when they joined the EU for subsidies on their oat exports. Subsidies are granted through a weekly tendering process available only on oats from Sweden and Finland. An open tender does not guarantee export subsidies and each bid can be accepted

or rejected on an individual basis.

Export Subsidies on Oats to Discourage Increased Barley Production

In October 2003, the European Commission (EC) set a maximum level of subsidized oat exports from Finland and Sweden at 400,000 tonnes (t) collectively for the year. The EC supports the continued use of export subsidies on oats from Finland and Sweden, as the removal of these subsidies would result in increased production of barley, which would qualify for intervention arrangements.

Factors determining Export Subsidy Level

The main factors that determine the required export subsidy for oats to be exported to the United States are: 1) the intervention price for barley, 2) the Chicago Board of Trade (CBOT) oat futures price, 3) the euro/US\$ exchange rate, 4) transportation costs, and 5) the cash basis level in the US south.

Subsidies have been provided for oat exports from Finland and Sweden since 1997-1998. Export subsidies have been paid out on an average of 452,000 t each year and have ranged from a high of 771,000 t in 1997-1998 to a low of 44,000 t in 2001-2002. The average refund has followed a similar pattern, ranging from €59.88/t (CAN\$91.63/t) in 1999-2000 to €3.95/t (CAN\$5.79/t) in 2001-2002.

The uncertainty behind what level of subsidy will be paid provides ongoing pressure to the international price of oats. Export subsidies affect the absolute price that Canadian farmers can receive for their oats. By offering export subsidies in the spring, the subsidized shipments can affect the price of forward contracts.

Export Markets limited to the United States

Within the EU, Finland, Sweden and Germany are the main producers of oats. In general, trade of oats is limited to intra-EU trade and exports from Finland and Sweden to the US.

Following decades of reduced oat production, the US became a net oats importer in the early 1980s and currently relies on imports for about 40% of the country's total use. US oat production has decreased significantly over the last 20 years due to unfavourable expected returns, as US farm policy and progressive increases in yields of competitive crops tend to favour other crops. Oats are a very thinly traded commodity and US imports constitute about 85% of world trade.

Three Distinct Markets within the United States

In the US, oats serve three markets: (1) the **horse market** in the southern US, (2) the **milling market**, which is largely concentrated in the US Midwest, and (3) the **general feed market**. Each of these markets has distinct requirements.

For the performance **horse market**, oats are the preferred energy source. Oat starch is more digestible than the starch in corn or barley. This market demands the highest quality oats on the market. Oats for this market typically have a 40 pound per bushel (lb/bu), or extra-heavy, test weight, are bright white in colour and have a plump kernel size. In addition, these oats should be relatively dust free, with high protein and high fat content.

For the **milling market**, oats must have a 38 lb/bu, or heavy, test weight, meet stringent purity requirements and possess uniform kernel size. Generally milling oats are graded as number one, or two, but number three oats are sometimes acceptable.

UNITED STATES: OAT IMPORTS BY COUNTRY

calendar year	2000	2001	2002	2003
.....thousand tonnes.....				
Canada	1,457	1,369	816	1,045
Sweden	208	289	300	246
Finland	47	293	295	228
Other	15	11	42	36
Total	1,727	1,962	1,453	1,555

Source: US Department of Commerce, US Census Bureau, March 2004

The lowest grade of oats is for livestock **feed**. Kernel size, test weight, colour and purity are not as important in this market, although nutrient content is important.

Transportation costs greatly shape trading patterns

In general, Canada has a transportation advantage to the US **milling** market, while Finland and Sweden have a transportation advantage to the southern US **horse** market. In 2002-2003, however, reduced supplies in Canada created an opportunity for EU oats in the US **milling** market. For 2003-2004, significant increases in ocean freight rates and reduced feed grain supplies in the EU may have resulted in increased opportunities for Canadian oats.

Oats Prices Currently at a Premium to Corn Prices

The oat contract on the CBoT generally reflects the feed value of oats, and in general the CBoT oat prices track the CBoT corn prices. With steady US oat demand, both for milling and feed uses, oat supplies in Canada, Sweden and Finland strongly influence oat prices. When ample supplies of oats are available in Canada and the EU, oat prices generally follow corn prices. As well, the premium for milling oats relative to feed oats is lowered by large supplies. However during periods of low oat supply, such as in 2001-2002 and 2002-2003, CBoT oats were at a significant premium to CBoT corn, reflecting the shortage of oats in general and the shortage of high quality oats for milling purposes in particular. After four years of trading at a

discount to corn, the premium for oats relative to corn increased to 40% and 50% for 2002-2003 and 2001-2002, respectively. For 2003-2004, oat prices are trading at a slight premium to corn prices.

SITUATION: 2003-2004

Production of oats in **Finland** and **Sweden** has been fairly stable over the past 10 years, averaging about 2.3 million tonnes (Mt), which is about 8% of world production and about 35% of the EU's production. For 2003-2004, **Finland** and **Sweden** collectively produced 2.4 Mt, an 8% decrease from 2002-2003. Finland's production fell 10% to 1.3 Mt because of a reduced area harvested, while Sweden's production fell 8%, to 1.1 Mt, mainly due to decreased yields. The widespread drought that affected crop production throughout most of Western and Eastern Europe did not significantly impact yields in **Finland** and **Sweden**.

In general, most oats are used on farm for animal **feed** in their country of origin. Human **consumption** is also an important part of the distribution in the UK, Germany and the US. In general, Sweden and Finland are more than self-sufficient in oat production and **export** up to 30% of their oats to the US and the EU.

In **Finland**, **feed** use has remained flat and is expected to total 800,000 t in 2003-2004. **Food** use, at 130,000 t is fairly low as food processing is not undertaken on a large scale in Finland.

For **Finland**, **exports** have ranged from 9% to 30% of production over the past eight years and have averaged 235,000 t, or 19% of production. The main market of Finnish exports is intra-EU trade. On average 50% of Finnish exports are destined for intra-EU markets, specifically Germany, the Netherlands and the UK, but this has ranged from as low as 9% in 1996 to as high as 66% in 2002 and 1997. Exports to the US account for about 33% of total exports. For 2003-2004, Finland's exports are expected to fall by 25% to 450,000 t, because of increased competition from Canada and reduced feed grain supplies in the EU and higher freight rates.

For **Sweden**, domestic usage has also been flat. For 2003-2004, **food** use is forecast at 80,000 t, while **feed** use is expected to grow marginally to 700,000 t. On average, **Sweden exports** 240,000 t, or 21%, of its annual production. The export share has ranged from as low as 6% to a high of 40% in recent years. The main market for Swedish exports is the US, which in most years accounts for over 65% of all exports. Over the past few years Sweden has become increasingly dependent on the US market for exports, and in calendar year 2003 88% of all exports went to the US. Intra-EU trade accounts for about 20% of Sweden's exports and Norway and Switzerland are also frequent purchasers of Swedish oats. For 2003-2004, Sweden's exports are forecast to fall 13% to 350,000 t.

FINLAND: OATS SUPPLY AND DISPOSITION

July-June crop year	2001 -2002	2002 -2003	2003 -2004e	2004 -2005f
Harvested Area (kha)	423	451	424	390
Average Yields (t/ha)	3.09	3.20	3.07	3.20
.....million tonnes.....				
Carry-in Stocks	0.23	0.26	0.23	0.19
Production	<u>1.31</u>	<u>1.44</u>	<u>1.30</u>	<u>1.25</u>
Total Supply	1.54	1.70	1.57	1.45
Food, Seed	0.10	0.13	0.13	0.13
Feed, Waste & Dockage	0.75	0.75	0.80	0.75
Exports *	<u>0.43</u>	<u>0.60</u>	<u>0.45</u>	<u>0.37</u>
Total Consumption	1.28	1.48	1.38	1.25
Carry-out Stocks	0.26	0.23	0.19	0.20

e: estimate; f: forecast; * includes EU intra-trade

Source: Statcom, Coceral; March 2004

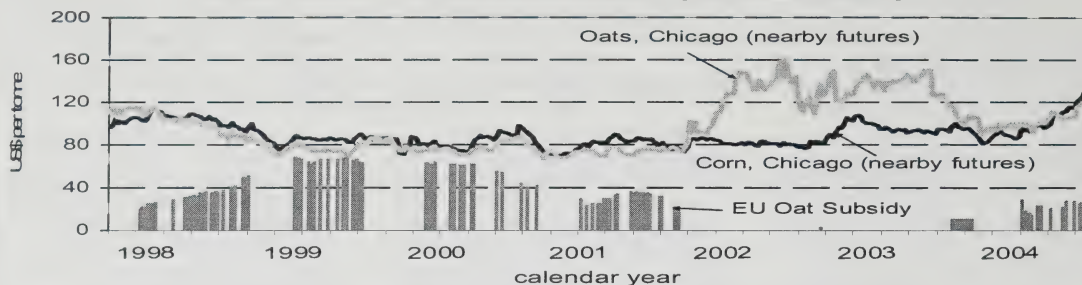
SWEDEN: OATS SUPPLY AND DISPOSITION

July-June crop year	2001 -2002	2002 -2003	2003 -2004e	2004 -2005f
Harvested Area (kha)	271	289	275	220
Average Yields (t/ha)	3.55	4.10	3.99	3.81
.....million tonnes.....				
Carry-in Stocks	0.14	0.11	0.16	0.13
Production	<u>0.96</u>	<u>1.19</u>	<u>1.10</u>	<u>0.84</u>
Total Supply	1.10	1.29	1.26	0.97
Food, Seed	0.08	0.08	0.08	0.08
Feed, Waste & Dockage	0.68	0.65	0.70	0.65
Exports *	<u>0.25</u>	<u>0.40</u>	<u>0.35</u>	<u>0.20</u>
Total Consumption	1.00	1.13	1.13	0.93
Carry-out Stocks	0.11	0.16	0.13	0.04

e: estimate; f: forecast; * includes EU intra-trade

Source: Statcom, Coceral; March 2004

US CORN AND OAT PRICES AND EU OAT SUBSIDIES (WEEKLY)



Source: European Commission, Chicago Board of Trade, Pacific Exchange Rate Service, April 2004

To date, the EU has granted export licenses for 317,500 t of Swedish and Finnish oats, the largest amount of subsidized oat exports since 2000-2001. For 2003-2004, subsidies have averaged €19.08/t (CAN\$30.59/t) and have ranged from a low of €11.95 (CAN\$18.38) to a high of €24.95 (CAN\$38.64). Total subsidized exports could reach as high as 400,000 t by June 2004.

Prices for 2003-2004 Remain Relatively High

For 2003-2004, the CBoT oat prices have remained relatively high in spite of a large Canadian crop. The CBoT nearby oats contract, which generally reflects the price for No. 2 Heavy oats, is currently trading at US\$1.65/bu (US\$120.05/t) and is expected to average US\$105-110/t for 2003-2004 versus about US\$128/t for 2002-2003 and US\$125/t for 2001-2002. Increased supplies in Canada, the strength in the Canadian dollar and weak demand for animal feed have pressured oat prices from about CAN\$194/t to \$140/t expected for 2003-2004.

OUTLOOK: 2004-2005

Production of oats in the EU is forecast to decrease significantly from 2003-2004, because of decreased seeded area. The expansion of the EU from 15 countries to 25 countries is not expected to impact world production of oats or world trade patterns, as the use of export subsidies on oats is limited to Sweden and Finland only.

US production is also expected to fall, creating more opportunity for Canada. US prices are expected to remain similar to 2003-2004 and the per tonne spread between corn and oats is expected to be near zero. The price of oats in Canada, however, is expected to decrease marginally due to the stronger Canadian dollar.

Over the medium-to-long-term, EU subsidization of exports remains a concern to Canada. In general, world grain prices have been negatively affected by high domestic subsidies such as the US Loan Deficiency Payment Program in the US and the high domestic support and export subsidies offered by the EU. To a large extent, low prices in Canada reflect over-production that occurs in these countries as a direct result of those subsidies. The Government of Canada is taking measures to address these issues. The government continues to negotiate in the World Trade Organization for the removal of EU export subsidies and substantial reductions in trade distorting domestic support by both the EU and the US, to ensure that there is truly a level playing field among the major exporters.

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CANADA: AREA SEEDED 2004-2005

CROP BUDGETS

MANITOBA

	Spring Wheat	Feed Barley ^{4/}	Canola	Flaxseed	Oats	Confectionary Sunflower	Dry Peas
Variable Costs ^{1/}				\$/ha			
Seed (inc. treatment)	26.27	24.71	52.51	26.69	24.71	75.44	57.15
Fertilizer	79.91	79.91	95.63	69.68	73.69	95.13	41.51
Chemical	96.60	64.25	95.75	51.89	25.95	142.08	68.57
Fuel	28.42	28.42	28.42	28.42	28.42	29.65	29.65
Repairs	24.71	24.71	24.71	24.71	24.71	27.18	25.95
Crop Insurance	14.63	12.21	21.47	14.38	15.37	19.42	14.16
Interest	7.83	7.39	9.71	6.89	6.25	12.08	7.51
Other	18.53	18.53	18.53	18.53	18.53	19.77	19.77
Total Variable Costs	296.90	260.13	346.73	241.19	217.63	420.75	264.27
Projected Returns ^{2/}	2 CWS*	1 CW	1 CAN	1 CW	3 CW	1 CAN	2 CAN
Projected Yield (t/ha)	2.55	3.20	1.65	1.35	2.80	1.60	2.40
Projected Price (\$/t)	166.00	108.00	364.00	340.00	128.00	485.00	180.00
Projected Revenue	423.30	345.60	600.60	459.00	358.40	776.00	432.00
Net Return (\$/ha)	126.40	85.47	253.87	217.81	140.77	355.25	167.73

SASKATCHEWAN: Brown Soil Zone - conventional seeded stubble

	Spring Wheat	Durum Wheat	Feed Barley ^{4/}	Large Green Lentils	Yellow Mustard	Large Kabuli Chick Peas	Desi Chick Peas
Variable Costs ^{3/}				\$/ha			
Seed (inc. treatment)	17.69	21.45	17.10	53.57	44.73	137.14	49.30
Fertilizer	57.82	57.82	57.82	17.20	58.56	17.20	17.20
Chemicals	36.89	37.78	34.50	102.84	43.19	157.21	77.24
Fuel	22.24	22.24	22.24	24.46	23.35	24.46	24.46
Repairs	17.79	17.79	17.79	29.80	17.79	26.54	26.54
Crop Insurance	10.16	12.06	14.13	45.19	19.32	35.98	28.07
Interest	4.84	5.02	4.79	7.81	5.93	10.97	6.30
Other	20.11	20.11	17.64	21.97	16.41	15.17	15.17
Total Variable Costs	187.54	194.27	186.01	302.84	229.28	424.67	244.28
Projected Returns ^{2/}	1 CWS*	1 CWAD*	1 CW	1 CAN	1 CAN	2 CW	2 CW
Projected Yield (t/ha)	1.67	1.63	2.01	0.85	0.70	1.00	1.20
Projected Price (\$/t)	166.00	153.00	112.00	400.00	405.00	495.00	265.00
Projected Revenue	277.22	249.39	225.12	340.00	83.50	495.00	318.00
Net Return (\$/ha)	89.68	55.12	39.11	37.16	54.22	70.33	73.72

SASKATCHEWAN: Black Soil Zone - conventional seeded stubble

	Spring Wheat	2 Row Malting Barley	Feed Barley ^{4/}	Oats	Dry Peas	Flaxseed	Canola
Variable Costs ^{3/}				\$/ha			
Seed (inc. treatment)	19.25	18.80	18.80	20.90	48.93	18.16	62.57
Fertilizer	71.16	71.16	71.16	71.16	14.23	62.27	78.58
Chemicals	49.47	44.35	44.35	23.80	61.38	56.39	55.70
Fuel	22.24	22.24	22.24	22.24	24.46	24.46	23.35
Repairs	23.47	23.47	23.47	23.47	33.36	28.17	23.47
Crop Insurance	12.82	12.36	12.36	14.63	16.78	16.38	18.09
Interest	5.98	5.68	5.68	5.26	5.81	6.05	7.51
Other	27.11	22.16	22.16	22.16	20.31	22.16	22.16
Total Variable Costs	231.50	220.22	220.22	203.62	225.26	234.04	291.43
Projected Returns ^{2/}	2 CWS*	SS2R	1 CW	3 CW	2 CAN	2 CW	1 CW
Projected Yield (t/ha)	2.09	2.63	2.86	2.37	1.75	1.20	1.26
Projected Price (\$/t)	162.00	154.00	102.00	11800	170.00	335.00	360.00
Projected Revenue	338.58	405.02	291.72	279.66	297.50	402.00	453.60
Net Return (\$/ha)	107.08	184.80	71.50	76.04	72.24	167.96	162.17

Totals may not add due to rounding

^{1/} 2004 Manitoba Agriculture, Food and Rural Initiatives variable costs

^{3/} 2004 Saskatchewan Agriculture, Food and Rural Revitalization variable costs

^{2/} AAFC forecast, April 2004

^{4/} Off-Board

* Wheat: 13.5% protein / Durum: 12.5% protein

CANADA: AREA SEEDED 2004-2005

CROP BUDGETS

ALBERTA: Brown Soil Zone - stubble

	Spring Wheat	Durum Wheat	Feed Barley ⁴	Argentine Canola	Large Green Lentils	Large Kabuli Chick Peas
Variable Costs ^{1/}	\$/ha					
Seed (inc. treatment)	22.24	24.71	17.30	29.65	61.78	160.62
Fertilizer	58.32	58.31	58.32	40.28	13.84	13.84
Chemicals	58.07	58.07	29.65	54.36	48.18	72.89
Fuel	15.57	15.57	15.57	15.57	15.57	15.57
Repairs	15.44	15.44	15.44	15.44	17.91	17.91
Crop Insurance	19.77	22.24	22.24	32.12	19.77	24.71
Interest	2.47	2.47	2.47	2.47	2.47	2.47
Other	24.51	24.91	26.17	23.23	22.56	22.56
Total Variable Costs	216.39	221.72	187.16	213.12	202.08	330.58
Projected Returns ^{2/}	1 CWSR*	1 CWAD*	1 CW	1 CAN	1 CAN	2 CW
Projected Yield (t/ha)	1.60	1.72	1.91	1.01	0.80	1.00
Projected Price (\$/t)	173.00	155.00	128.00	372.00	405.00	495.00
Projected Revenue (\$/ha)	276.80	266.60	244.48	375.72	324.00	495.00
Net Return (\$/ha)	60.41	44.88	57.32	162.60	121.92	164.42

ALBERTA: Black Soil Zone - stubble

	Spring Wheat	CPS Wheat	Feed Barley ⁴	Oats	Dry Peas	Argentine Canola
Variable Costs ^{1/}	\$/ha					
Seed (inc. treatment)	30.89	37.07	24.71	24.71	74.13	44.48
Fertilizer	100.57	100.57	100.57	100.57	28.17	123.92
Chemicals	56.83	56.83	49.42	18.53	61.78	74.13
Fuel	23.35	23.35	23.35	23.35	23.35	23.35
Repairs	30.84	30.84	30.84	30.84	33.41	30.84
Crop Insurance	24.71	24.71	22.24	23.47	24.71	27.18
Interest	4.94	4.94	4.94	4.94	4.94	6.18
Other	39.14	41.51	42.62	40.15	39.14	25.19
Total Variable Costs	311.27	319.82	298.69	266.56	289.63	355.27
Projected Returns ^{2/}	2 CWSR*	1 CPS	1 CW	3 CW	2 CAN	1 CAN
Projected Yield (t/ha)	2.49	3.30	3.23	2.43	2.00	1.39
Projected Price (\$/t)	169.00	142.00	118.00	118.00	180.00	365.00
Projected Revenue (\$/ha)	420.81	468.60	381.14	286.74	360.00	507.35
Net Return (\$/ha)	109.54	148.78	84.45	21.88	70.73	152.18

Ontario: - conventional seeded

	SWW Wheat	HRW Wheat	Feed Barley	Grain Corn	Soybeans	White Pea Beans
Variable Costs ^{3/}	\$/ha					
Seed (inc. treatment)	98.84	121.08	84.01	133.43	88.96	130.96
Fertilizer	123.55	163.09	108.72	197.88	29.64	49.42
Chemicals	14.83	14.83	76.60	138.38	79.07	118.61
Fuel	12.36	17.30	17.30	14.83	12.36	14.83
Repairs	39.54	54.36	51.89	42.01	39.54	42.01
Crop Insurance	24.71	24.71	14.83	49.42	37.07	59.30
Interest	17.30	19.77	9.88	19.77	9.88	12.36
Other (includes drying)	49.42	42.01	39.54	153.20	46.95	81.54
Total Variable Costs	380.55	457.15	402.77	748.72	343.47	509.03
Projected Returns ^{2/}	1 CEWW	1 CERW* 11.5	Feed	2 CE	2 CAN	1 CAN
Projected Yield (t/ha)	4.90	4.30	3.30	7.50	2.50	1.85
Projected Price (\$/t)	150.00	160.00	98.00	135.00	360.00	575.00
Projected Revenue (\$/ha)	735.00	688.00	323.40	1,012.50	900.00	1063.50
Net Return (\$/ha)	407.70	287.07	-79.37	435.26	556.63	554.72

Totals may not add due to rounding

^{1/} 2004 Alberta Agriculture, Food and Rural Development variable costs

^{3/} 2004 Ontario Ministry of Agriculture and Food costs

* CWSR: 13.5% protein / 1CWAD: 12.5% protein / 1 CERW 11.5% protein

^{2/} AAFC forecast, April 2004

^{4/} Off-Board



CANADA: GRAINS AND OILSEEDS OUTLOOK

April 28, 2004

For 2004-05, the Statistics Canada (STC) seeding intentions survey, conducted during late March, indicated that western Canadian farmers plan to shift area into oilseeds and special crops, out of wheat, coarse grains and summerfallow. In eastern Canada, the areas seeded to oilseeds and corn are expected to increase, while area for wheat, other coarse grains and special crops decreases. Total production of grains and oilseeds in Canada is forecast by Agriculture and Agri-Food Canada (AAFC) to increase by 2%, to 60.8 million tonnes (Mt), versus the 10-year average of 58.5 Mt. Trend yields are assumed for all regions except for Alberta and Saskatchewan, where precipitation has been below normal and subsoil moisture reserves remain low. Total exports are projected to increase slightly, with lower wheat exports offset by increases in coarse grain and oilseed shipments. Feed use is expected to increase, assuming that the US border closure to Canadian cattle due to bovine spongiform encephalopathy (BSE) is resolved during the 2004-05 crop year.

World prices for high quality wheat are forecast to increase slightly in 2004-05, with prices for low and medium quality wheat unchanged to slightly lower due to pressure from increased production in the EU-25, Ukraine and Russia. Corn prices are projected to rise due to declining US stocks. Soybean prices are forecast to decrease, as a result of increased US production. In Canada, prices for all grains and oilseeds will be pressured by the stronger Canadian dollar relative to the US dollar. The major factors to watch are: import demand from China, EU grain export policy, winter wheat conditions in the major producing countries, North American seeding progress and weather conditions, developments regarding the cattle trade, ocean freight rates, and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2004-05, Canadian production is forecast to decrease slightly, with lower Ontario production more than offsetting a small increase in western Canada. Domestic use is expected to rise slightly, with feed use recovering to a near-normal 3.4 Mt, assuming a normal crop quality. Total exports are expected to decline marginally as lower exports from Ontario more than offset slightly higher exports from western Canada. Carry-out stocks are expected to decline slightly, to a historically low 4.1 Mt. The Canadian Wheat Board (CWB) April Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is up by \$1/t from March, at \$206/t, in-store Vancouver/St. Lawrence (1/S VC/SL), unchanged from 2003-04. Protein premiums are expected to rise, assuming a normal, lower protein, crop, with the PRO for No.1 CWRS 13.5% at \$218/t, \$6/t above 2003-04.

DURUM

Production is forecast to rise by 10%, with higher yields more than offsetting lower seeded area. Total supplies are forecast at 6.6 Mt, vs. the 10-year average of 6.2 Mt. However, exports are projected to decline to 3.2 Mt, due to increased competition from the EU and lower import demand from North Africa because of increased production. Carry-out stocks are forecast to rise significantly, to 2.5 Mt, well above the 10-year average of 1.7 Mt. Due to limited export demand, the CWB is expected to restrict durum deliveries, and farm stocks are forecast to almost double, to 1.2 Mt. The CWB PRO for No.1 CWAD 11.5% protein is \$1/t higher than last month, at \$194/t, 1/S VC/SL, \$21/t below 2003-04. No.1 CWAD 11.5% is forecast to be at \$12/t discount to No.1 CWRS 11.5%, the first such discount since 1990-91.

BARLEY

Production is forecast to decrease slightly, as higher yields are more than offset by lower seeded area. Total supplies are expected to rise by 5%. Domestic use is forecast to increase due to higher feed demand. Exports are expected to remain flat at 2.4 Mt, as an increase in malting barley exports is expected to offset a decrease in feed barley exports. Carry-out stocks are projected to rise from 2003-04 to 2.5 Mt. Off-Board prices are forecast to average \$135/t for No.1 CW Feed 1/S Lethbridge, the same as 2003-04. The April CWB PRO for No.1 CW Feed Barley is up by \$2/t from March, at \$134/t 1/S VC/SL, down \$25/t from 2003-04. The April CWB PRO for Special Select Two Row designed barley is up \$3/t at \$185/t 1/S VC/SL, vs \$198/t for 2003-04.

OATS

Production is forecast to decrease marginally to 3.6 Mt, due to lower seeded area. Supplies, however, are expected to rise by 6%, to 4.5 Mt. Domestic use is forecast to be unchanged from 2003-04 but exports are projected to rise due to lower production in the US and reduced competition from Finland and Sweden. Carry-out stocks are expected to rise by 6% to 0.95 Mt. The price of oats, CBOT nearby futures contract, is forecast to average C\$140/t, the same as expected for 2003-04.

CORN

Production is forecast to fall marginally to 9.58 Mt as lower yields more than offset higher area seeded. Imports are forecast to fall slightly to 2.3 Mt, with 1.8 and 0.5 Mt to eastern and western Canada, respectively. Domestic use is expected to fall slightly. The average price, 1/S Chatham, is forecast to increase by \$5/t from 2003-04 to \$140/t, as higher US corn prices more than offset the stronger Canadian dollar.

CANOLA

For 2004-05, production is forecast to increase by 5%, due to higher seeded area. Supplies are forecast to rise slightly, supporting higher exports and domestic crush. Exports to China and Mexico are forecast to increase. Carry-out stocks are expected to remain stable. The price of canola is forecast to decrease to a midpoint of \$380/t, 1/S VC, from \$395/t in 2003-04, due to higher world oilseed production.

FLAXSEED (excluding solin)

Production is forecast to rise by 26% due to increased seeded area and higher yields. Exports are projected to remain stable due to continued strong demand from the EU. Prices are forecast to decrease slightly to \$350/t, 1/S Thunder Bay, due to lower world oilseed prices.

SOYBEANS

Production is forecast to reach a record of 3 Mt due to record high seeded area and a return to normal yields. Domestic use is projected to rise slightly while exports rise to a record 1.0 Mt. The average price of soybeans is forecast to fall to \$350/t, 1/S Chatham, from \$385/t expected for 2003-04, due to higher soybean production in the US and South America.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

April 28, 2004

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use (e)	Feed, Waste & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (f) \$/t
----- thousand metric tonnes-----											
Durum											
2002-2003	2,246	1.73	3,877	6	5,427	2,968	279	283	799	1,660	271.23
2003-2004f	2,459	1.74	4,280	1	5,941	3,300	270	241	741	1,900	215 *
2004-2005f	2,410	1.95	4,700	2	6,602	3,200	275	407	902	2,500	194 **
Wheat Except Durum											
2002-2003	6,590	1.87	12,321	173	17,678	6,223	2,767	3,904	7,465	3,990	241.00
2003-2004f	8,009	2.41	19,272	20	23,282	12,300	2,685	3,317	6,782	4,200	206 *
2004-2005f	7,870	2.41	18,975	20	23,195	12,200	2,700	3,385	6,895	4,100	206 **
All Wheat											
2002-2003	8,836	1.83	16,198	178	23,105	9,191	3,046	4,188	8,264	5,650	
2003-2004f	10,467	2.25	23,552	21	29,223	15,600	2,955	3,558	7,523	6,100	
2004-2005f	10,280	2.30	23,675	22	29,797	15,400	2,975	3,792	7,797	6,600	
Barley											
2002-2003	3,348	2.24	7,489	259	9,795	939	181	6,796	7,415	1,441	171.88
2003-2004f	4,446	2.77	12,328	50	13,819	2,400	320	8,394	9,119	2,300	125-145
2004-2005f	4,200	2.90	12,200	50	14,550	2,400	375	8,820	9,650	2,500	120-150
Corn											
2002-2003	1,283	7.01	8,999	3,904	13,958	308	2,385	10,121	12,540	1,111	145.34
2003-2004f	1,226	7.82	9,587	2,400	13,098	300	2,550	9,213	11,798	1,000	125-145
2004-2005f	1,290	7.42	9,575	2,300	12,875	300	2,650	8,990	11,675	900	125-155
Oats											
2002-2003	1,379	2.11	2,911	21	3,294	1,189	128	1,226	1,546	559	193.91
2003-2004f	1,575	2.34	3,691	20	4,270	1,300	170	1,705	2,070	900	130-150
2004-2005f	1,470	2.47	3,625	20	4,545	1,500	170	1,720	2,095	950	125-155
Rye											
2002-2003	77	1.74	134	2	185	52	38	43	103	30	
2003-2004f	147	2.22	327	1	358	50	47	193	258	50	
2004-2005f	160	2.16	345	2	397	80	48	192	257	60	
Mixed Grains											
2002-2003	132	2.72	359	0	359	0	0	359	359	0	
2003-2004f	135	2.84	384	0	384	0	0	384	384	0	
2004-2005f	135	2.85	385	0	385	0	0	385	385	0	
Total Coarse Grains											
2002-2003	6,218	3.20	19,892	4,185	27,591	2,488	2,731	18,544	21,963	3,141	
2003-2004f	7,529	3.50	26,317	2,471	31,929	4,050	3,087	19,889	23,629	4,250	
2004-2005f	7,255	3.60	26,130	2,372	32,752	4,280	3,243	20,107	24,062	4,410	
Canola											
2002-2003	3,262	1.28	4,178	240	5,667	2,394	2,225	116	2,379	894	415.09
2003-2004f	4,689	1.42	6,669	225	7,788	3,500	3,200	343	3,588	700	380-410
2004-2005f	5,100	1.37	7,000	215	7,915	3,600	3,200	370	3,615	700	360-400
Flaxseed											
2002-2003	633	1.07	679	27	892	577	n/a	n/a	186	129	401.97
2003-2004f	728	1.04	754	20	903	600	n/a	n/a	203	100	340-370
2004-2005f	770	1.23	950	20	1,070	600	n/a	n/a	170	300	330-370
Soybeans ^{1/}											
2002-2003	1,024	2.28	2,336	651	3,159	722	1,763	458	2,291	145	307.55
2003-2004f	1,047	2.17	2,268	650	3,063	800	1,650	418	2,138	125	370-400
2004-2005f	1,220	2.46	3,000	250	3,375	1,000	1,750	405	2,225	150	330-370
Total Oilseeds											
2002-2003	4,919	1.46	7,193	918	9,718	3,694	n/a	n/a	4,856	1,168	
2003-2004f	6,464	1.50	9,692	895	11,755	4,900	n/a	n/a	5,930	925	
2004-2005f	7,090	1.54	10,950	485	12,360	5,200	n/a	n/a	6,010	1,150	
Total Grains And Oilseeds											
2002-2003	19,973	2.17	43,282	5,280	60,414	15,373	n/a	n/a	35,083	9,959	
2003-2004f	24,461	2.43	59,561	3,387	72,907	24,550	n/a	n/a	37,082	11,275	
2004-2005f	24,625	2.47	60,755	2,879	74,909	24,880	n/a	n/a	37,869	12,160	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* March 2004 CWB Pool Return Outlook (PRO) ** April 2004 CWB PRO

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

f. Agriculture and Agri-Food Canada forecast, April 28, 2004

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

April 28, 2004

Area seeded to pulse and special crops for 2004-05 in Canada is forecast to increase by 4%, as higher seeded areas for dry peas, lentils, canary seed and chick peas more than offset lower areas for dry beans, mustard seed and sunflower seed. Statistics Canada's (STC) seeding intentions survey, conducted during March 24-31 and released on April 23, provided forecasts of areas seeded for most of the pulse and special crops by province but, in some cases, the area seeded has been forecast by AAFC. The actual seeded areas may differ from the intentions due to changes in market outlook, expected prices, producer reaction to the STC seeding intentions report and, especially, soil moisture conditions at seeding time. To date, only a small amount of seeding has been completed. It is assumed that precipitation will be normal for the rest of the spring and summer. However, for Saskatchewan and Alberta, due to low moisture reserves in most areas, yields are forecast to be below trend. For the other provinces, trend yields are forecast. It has been assumed that abandonment and average quality will be normal.

For 2004-05, total pulse and special crops production is forecast to increase by 10%, from 2003-04, to 4.03 million tonnes (Mt). Total supply is expected to increase by only 5%, because of lower carry-in stocks, to 4.62 Mt. Exports and domestic use are forecast to increase due to the higher supply and strong demand, resulting in moderately higher carry-out stocks. Average prices, over all grades and markets, are forecast to increase from 2003-04 for dry beans, chick peas and sunflower seed, decrease for dry peas, lentils, mustard seed and canary seed, and be the same for buckwheat. However, prices are expected to be very sensitive to any production problems due to low world carry-in stocks. The main factors to watch will be precipitation during the spring and summer in western Canada, the exchange rate of the Canadian dollar against the US dollar and other currencies, and growing conditions in the major producing countries, especially the US, Australia, India, France and Turkey.

DRY PEAS

For 2004-05, production and supply are forecast to increase, due to a 4% increase in seeded area and higher yields. Production is expected to increase for yellow, green and other types. World supply is forecast to increase by 3% to 11.8 Mt, mainly because of higher production in Canada, EU, US and Australia, but this is expected to be mostly offset by increased use in both the feed and food markets. Canadian exports and domestic use are forecast to increase, due to the higher supply and lower prices. Carry-out stocks are forecast to increase with a stocks-to-use (s/u) ratio of 13%. The average price, over all types, grades and markets, is forecast to decrease due to the higher supply.

LENTILS

Production and supply are forecast to increase, due to a 26% increase in seeded area and higher yields. Production is expected to increase for large, medium and small green, red and other types. World supply is expected to increase by 7% to 3.41 Mt, due mainly to higher production in Canada and Australia. Canadian exports are expected to increase, as Canada's share of world supply increases. Carry-out stocks are forecast to increase, with a s/u of 11%. The average price, over all types and grades, is forecast to decrease due to the higher supply.

DRY BEANS

Production and supply are forecast to decrease sharply, due to a 9% decrease in seeded area and lower yields. Production is expected to decrease for all classes, including white pea, pinto, black, red kidney, cranberry, Great Northern, small red and pink. Exports are forecast to decrease, due to lower supply, and carry-out stocks are expected to decrease to a low level. US production and supply are also expected to

decrease due to a forecast 5% decrease in seeded area and lower carry-in stocks. Total US and Canadian supply of all major classes of dry beans is forecast to fall. The average price, over all classes and grades, is forecast to increase sharply due to the lower supply.

CHICK PEAS

Production is forecast to increase marginally, due to a 4% increase in seeded area. Production is expected to increase for the large kabuli type, but decrease for the desi and small kabuli types. However, supply is forecast to decrease for all types due to lower carry-in stocks. World supply is expected to decrease by 7% to 8.1 Mt. Canadian exports are forecast to decrease due to lower supply. Carry-out stocks are forecast to decrease to a low level. The average price, over all types, sizes and grades, is forecast to increase due to the lower supply.

MUSTARD SEED

Production is forecast to decrease due to a 16% decrease in seeded area. Production is expected to decrease for the brown and yellow types, but increase moderately for the oriental type. However, supply is forecast to increase due to higher carry-in stocks. Exports are expected to increase because of stronger demand and lower prices. Carry-out stocks are forecast to remain stable, with a s/u ratio of 49%. The average price is forecast to increase for the yellow type, but decrease for the brown and oriental types. The average price, over all types and grades, is forecast to decrease slightly.

CANARY SEED

Production and supply are forecast to increase, due to a 6% increase in seeded area and higher carry-in stocks. World supply is forecast to increase by 10% to

325,000 t. Canadian exports are expected to increase, because of higher supply. Carry-out stocks are forecast to increase, with a stocks-to-use ratio of 26%. The average price is forecast to decrease because of the higher supply.

SUNFLOWER SEED

Production and supply are forecast to decrease, due to a 24% decrease in seeded area. Production is expected to decrease for both types, confectionary and oilseed. In the US, seeded area, production and supply are also forecast to decrease for both types. World supply is expected to decrease by 2% to 26.6 Mt. Canadian exports and domestic use are expected to remain stable, causing carry-out stocks to decrease to a low level. The average price, over both types and all grades, is forecast to increase due to the lower supply.

BUCKWHEAT

Production is forecast to remain stable, in line with a stable seeded area, while supply decreases due to lower carry-in stocks. World supply is forecast to remain stable at 2.2 Mt. Canadian exports are forecast to remain stable, while carry-out stocks decrease to a negligible level. The average price, over all grades and markets, is forecast to be the same as in 2003-04, in line with the stable world supply.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

April 28, 2004

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----									
Dry Peas									
2000-2001	1,220	2.35	2,864	12	3,276	2,196	885	195	138
2001-2002	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004f	1,271	1.67	2,124	25	2,459	1,350	879	230	160-190
2004-2005f	1,325	1.83	2,420	25	2,675	1,450	915	310	140-170
Lentils									
2000-2001	688	1.33	914	5	999	475	268	256	295
2001-2002	664	0.85	566	6	828	478	219	131	320
2002-2003	387	0.91	354	9	494	320	119	55	390
2003-2004f	536	0.97	520	5	580	430	135	15	400-430
2004-2005f	680	1.00	680	5	700	480	150	70	350-380
Dry Beans									
2000-2001	162	1.65	268	40	348	227	71	50	465
2001-2002	175	1.70	298	42	390	263	96	31	725
2002-2003	219	1.89	414	40	485	297	118	70	445
2003-2004f	167	2.14	357	40	467	335	82	50	480-510
2004-2005f	150	1.90	285	40	375	285	80	10	550-580
Chick Peas									
2000-2001	283	1.37	388	5	408	179	199	30	410
2001-2002	467	0.97	455	12	497	147	210	140	380
2002-2003	154	1.01	156	9	305	104	141	60	300
2003-2004f	63	1.08	68	10	138	75	43	20	310-340
2004-2005f	64	1.09	70	15	105	50	45	10	325-355
Mustard Seed									
2000-2001	208	0.97	202	1	318	151	62	105	280
2001-2002	158	0.66	105	3	213	171	9	33	685
2002-2003	255	0.60	154	9	196	114	22	60	595
2003-2004f	328	0.69	226	5	291	155	36	100	375-405
2004-2005f	280	0.71	200	3	303	165	38	100	370-400
Canary Seed									
2000-2001	164	1.04	171	0	261	170	21	70	265
2001-2002	163	0.70	114	0	184	134	20	30	660
2002-2003	227	0.78	176	0	206	164	22	20	575
2003-2004f	243	0.91	220	0	240	170	30	40	335-365
2004-2005f	260	0.87	225	0	265	175	35	55	295-325
Sunflower Seed									
2000-2001	69	1.72	119	18	178	77	55	46	320
2001-2002	67	1.55	104	29	179	92	65	22	355
2002-2003	95	1.65	157	21	200	105	60	35	440
2003-2004f	115	1.30	150	20	205	110	65	30	370-400
2004-2005f	85	1.59	135	20	185	110	65	10	405-435
Buckwheat									
2000-2001	15	0.93	14	1	16	9	7	0	305
2001-2002	14	1.14	16	1	17	6	8	3	325
2002-2003	12	1.00	12	1	16	6	7	3	340
2003-2004f	9	1.11	10	1	14	6	7	1	340-370
2004-2005f	9	1.11	10	1	12	6	6	0	340-370
Total Pulse And Special Crops (c)									
2000-2001	2,809	1.76	4,940	82	5,804	3,484	1,568	752	
2001-2002	2,993	1.23	3,681	120	4,553	2,672	1,216	665	
2002-2003	2,399	1.16	2,788	130	3,583	1,738	1,232	613	
2003-2004f	2,732	1.35	3,675	106	4,394	2,631	1,277	486	
2004-2005f	2,853	1.41	4,025	109	4,620	2,721	1,334	565	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, April 28, 2004

Source: Statistics Canada and industry consultations.

B. CASH PRICES AND REPLACEMENT VALUES

April 19, 2004

PRAIRIE GRAINS

Selected Points	Price Basis		This week 19-Apr-04	Last week 5-Apr-04	Month ago 22-Mar-04	Year ago 21-Apr-03
From: Thunder Bay(WCE) (2)	In-Store	Wheat	173.00	175.00	170.00	141.00
(CBOT)		Oat	162.00	177.75	172.00	176.00
(Lethbridge)		Barley	149.00	155.60	142.00	166.00
To: Bayport, ON (1)	In-store	Wheat	196.61	198.61	193.61	164.61
		Oat	N/A	N/A	N/A	N/A
		Barley	176.39	182.99	169.39	193.39
Montreal, QC (1)	In-store	Wheat	201.03	203.03	198.03	169.03
		Oat	N/A	N/A	N/A	N/A
		Barley	181.31	187.91	174.31	198.31
Moncton, NB	Truck via Halifax	Wheat	223.25	225.25	220.25	191.25
		Oat	N/A	N/A	N/A	N/A
		Barley	205.50	212.10	198.50	222.50
Truro, NS	Truck via Halifax	Wheat	217.22	219.22	214.22	185.22
		Oat	N/A	N/A	N/A	N/A
		Barley	203.00	209.60	196.00	220.00
Halifax, NS (1)	In-store	Wheat	208.28	210.28	205.28	176.28
		Oat	N/A	N/A	N/A	N/A
		Barley	189.30	195.90	182.30	206.30
Stephenville, NL	Track / Truck via Sydney	Wheat	271.63	273.63	268.63	239.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 19-Apr-04	Last week 5-Apr-04	Month ago 22-Mar-04	Year ago 21-Apr-03
Corn						
From: US Lake Port	On Board Vessel		169.64	171.79	161.35	150.44
To: Montreal, QC (1)	In-store		188.68	190.83	180.39	169.48
From: Chicago (Mi)	Track		160.64	164.94	152.78	141.28
To: Montreal, QC	Track		189.50	193.80	181.64	170.14
From: Chatham, ON	Track		165.44	168.69	160.42	159.34
To: Montreal, QC	Track		189.31	192.56	184.29	183.14

Soymeal 48% Protein

From: Hamilton, ON			418.90	421.50	438.90	262.44
To: Montreal, QC	Track		443.23	445.83	463.23	286.77
Moncton, NB	Track		461.98	464.58	481.98	305.52
Truro, NS	Track		465.20	467.80	485.20	308.74
Stephenville, NL	Track / Truck via Sydney		513.83	516.43	533.83	357.37

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

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Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



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Bi-weekly Bulletin

May 28, 2004 Volume 17 Number 8

LENTILS/FABABEANS

LENTILS: SITUATION AND OUTLOOK

Canada is the largest exporter and second largest producer of lentils in the world. The value of Canadian exports has averaged \$230 million (M) during the past five years. For 2004-2005, Canadian production and exports are forecast to increase from 2003-2004. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for lentils.

WORLD

Production

Lentils are best adapted to production in the cooler temperate zones of the world or in the winter season in countries, such as India and Australia, which have a warm winter and a hot summer. The seed coat colour of lentils can be clear, green, tan, grey, brown or black. The cotyledon is yellow, red or green. The two main market types are red and green.

World lentil production during the past 10 years has ranged from 2.77 million tonnes (Mt) in 1996-1997 to 3.38 Mt in 2000-2001. Although specific data is not available, an estimated 75% of world lentil production is the red type, 20% green type and 5% brown and other types. Canada and the US produce mainly the green type whereas the rest of the world produces mainly the red type.

Trade

During the past 10 years, world trade has been trending upwards from 0.65 Mt in 1995 to 1.14 Mt in 2001. In 2002, the latest year for which data is available, the top four exporting countries (Canada, Australia, Turkey and the US) accounted for 81% of world exports. About 60% of the exports were the red type, 35% green and 5% brown and other. Canada's share of world exports peaked at 48% in 2000, but was

reduced in the following two years due to lower production. Imports were distributed much more widely than exports, with the top 10 importing countries accounting for only 56% of imports.

CANADA

Production

Canadian lentil production has increased in response to market signals and contributed to the diversification of crop production in the Prairie provinces, especially in

Saskatchewan. The increase in lentil production has proven to be valuable in crop rotations which help to control weeds, diseases and insects and improve soil texture and fertility. The increased production also contributed to the expansion of the pulse crops handling, marketing and processing industry, which increased employment opportunities in rural areas. During the past 10 years, lentil production has been concentrated in Saskatchewan, which accounted for more than 95% of Canadian production. The balance was

produced in Alberta and Manitoba.

Lentils are a cool season crop with a restricted root system which is only moderately resistant to high temperatures and drought. They do not tolerate water logging, flooding or soils with high salinity. In the Prairie provinces of Canada, lentils are best suited to the Brown and Dark Brown soil zones, but can be grown successfully in the Black soil zone in years without excessive moisture. Lentils work well in a rotation with cereals, such as spring or durum wheat. Nitrogen fertilizer is not recommended because lentils possess the ability to fix nitrogen in nodules on the roots, where it can be used for plant growth. The nitrogen fixed by lentils is also used by other crops in the following years. To maximize the nitrogen fixation ability, lentil

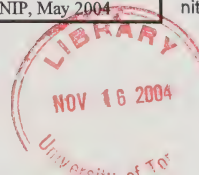
WORLD: LENTIL SUPPLY AND DISPOSITION

	2000 -2001	2001 -2002	2002 -2003	2003 -2004p	2004 -2005f
Harvested Area (kha)	3,875	3,955	3,690	3,730	3,950
Average Yields (t/ha)	0.87	0.82	0.79	0.80	0.84
.....thousand tonnes.....					
India	1,054	915	974	833	900
Canada	914	566	354	520	680
Turkey	380	520	565	548	550
Australia	164	266	45	95	174
Syria	73	177	133	168	160
Nepal	137	143	148	148	145
United States	137	131	117	111	142
China	116	120	130	132	125
Bangladesh	128	126	115	116	120
Iran	78	104	117	105	100
Others	199	187	210	209	204
Total Production	3,380	3,255	2,905	2,985	3,300
Carry-in Stocks	300	500	500	100	50
Total Supply	3,680	3,755	3,405	3,085	3,350
Total Use	3,180	3,255	3,305	3,035	3,200
Carry-out Stocks	500	500	100	50	150
Stocks-to-use Ratio	16%	15%	3%	2%	5%

p: preliminary

f: forecast, AAFC, Pulse Australia, USDA, May 2004

Source: FAO, Statistics Canada, USDA, Pulse Australia, UNIP, May 2004



seed should be inoculated. Lentils require 90-100 days to mature and should be seeded as soon as the soil temperature is greater than 5° Celsius.

Canadian production reached a record of 914,000 tonnes (t) in 2000-2001, but fell sharply in the following three years due to one or more of the following factors: lower seeded area, drought and excessive rainfall during the harvest. Canada is the main producer of the green type of lentils in the world, accounting for about 70% of world production. However, production of the red type has been increasing and Canada has become a significant producer. Canadian production of dark green speckled and brown types is small, accounting for only about 2% of total Canadian lentil production. The Canadian lentil harvest generally occurs

during the period from mid-August to early October.

Most of the lentils produced in Canada have a green seed coat and yellow cotyledon. They are normally referred to as large green, medium green and small green, based on the seed size. The large green type includes the Laird, Glamis, Sovereign, Grandora, Plato and Sedley varieties. Their seed size is 60-70 grams/1000 seeds. The medium green type includes the Richlea and Vantage varieties, with seed size of 50-55 grams/1000 seeds. The small green type includes the Eston, Viceroy and Milestone varieties, with seed size of about 35 grams/1000 seeds. Canadian red type of lentils have a brown or pale green seed coat with red cotyledons. The red type varieties include Crimson, Redwing, Redcap, Redberry, Robin and Blaze, with seed size of 30-40 grams/1000 seeds.

been increasing, as Canadian splitting capacity expanded through the construction of new plants.

Domestic Use

Canadian domestic use, which includes food, feed, seed, dockage, and waste, accounts for about 25% of production.

Exports

Canada exports about 75% of its production, while most other major producers export a relatively small portion of their production. Canadian lentil exports are dispersed throughout the world. The main importing countries in each region are: **Europe** (Italy, Germany, Spain, Belgium, France, Greece), **Middle East** (Turkey, Egypt), **Africa** (Algeria, Morocco) **South America** (Colombia, Venezuela, Ecuador, Chile, Brazil, Peru), **North America** (Mexico, US) and **Asia** (India, Pakistan).

Although the **large green** type of lentils is exported all over the world, the main destinations are north-western and southern Europe, northern Africa, South America, and Central America. The **medium green** type is exported mainly to the US, north-western Europe, Spain and northern Africa. The **small green** type is exported mainly to Morocco, Greece, Italy, Egypt, and Mexico. The **red** type is exported mainly to southern Asia, the Middle East and northern Africa. The **dark green speckled** type is exported mainly to France and the **brown** type mainly to Spain.

Prices

Canadian prices are largely determined in the international markets because Canada exports about 75% of its production. Since Canada produces most of the green type of lentils in the world, while it is a relatively small producer of the red type, the level of production in Canada has much more influence on green type prices than on red type prices. The substitution of one type of lentil with another is very limited. Therefore, it is common for wide price spreads to exist between different types of lentils. Since there is no futures market for lentils, prices are negotiated directly between dealers and customers, based on supply and demand factors for each type of lentil, for immediate delivery or for delivery at some future date. Some lentils are grown under production contracts, which guarantee a price for part of the production, but most are sold on the spot market.

WORLD: LENTIL EXPORTS AND IMPORTS

<i>calendar year</i>	1998	1999	2000	2001	2002
	.....thousand tonnes.....				
EXPORTS					
Canada*	374	417	519	490	352
Australia	1	25	134	218	242
Turkey	154	105	100	159	119
United States	53	76	80	99	103
India	67	147	191	106	86
China	26	22	18	14	21
Nepal	31	37	2	15	19
Syria	56	40	16	12	11
Other	<u>26</u>	<u>54</u>	<u>30</u>	<u>26</u>	<u>59</u>
Total	788	923	1,090	1,139	1,012
IMPORTS					
Sri Lanka	77	74	80	91	107
Egypt	80	78	77	113	100
India	22	31	21	87	67
Pakistan	34	37	37	68	67
Colombia	42	50	67	50	65
Algeria	60	48	72	47	63
Bangladesh	14	35	37	47	63
Spain	52	50	50	47	47
France	29	34	36	32	31
Mexico	26	24	26	31	29
Peru	27	18	25	28	27
Italy	26	24	28	28	27
Turkey	79	65	141	99	23
Germany	24	25	37	26	21
Saudi Arabia	18	17	15	25	21
Sudan	12	13	22	14	20
United Kingdom	14	15	13	15	17
Ecuador	14	14	15	17	16
Chile	13	18	17	11	16
Venezuela	14	14	15	17	15
Morocco	10	20	41	29	14
Greece	10	10	12	12	13
United States	14	9	8	10	11
Other	<u>123</u>	<u>137</u>	<u>148</u>	<u>154</u>	<u>145</u>
Total	834	860	1,040	1,098	1,025

The difference between imports and exports is attributed to the timing of delivery.

Source: FAO, except * which is Statistics Canada, May 2004

Marketing

All of the lentils produced in Canada are sold on the open market to dealers. With the increase in production, the number of dealers across the Prairie provinces who buy, clean and ship lentils to domestic and export customers has increased to about 50. The dealers range from large corporations to small family-owned businesses. In recent years, producers have invested in several new plants which handle pulse crops, including lentils. There are several processing plants in Saskatchewan capable of de-hulling and splitting red and green types of lentils for the world market.

Lentils are shipped to ports mainly bagged in containers, although bulk shipments have been increasing with the building of suitable handling facilities. From the ports to overseas customers, they are shipped mainly bagged in containers, although some are also shipped bulk in containers or bulk inside the hold of ships. Most of the Canadian lentils are exported through the ports of Vancouver and Montreal. In addition to whole lentils, Canada also exports split lentils. The export of split lentils has

Organizations

The Canadian Special Crops Association (CSCA) www.specialcrops.mb.ca establishes trade rules for domestic trade and serves as a forum for exporters, dealers and brokers involved in the industry of trading Canada's pulse and special crops, including lentils. The website includes a section where buyers can submit a request for prices.

Pulse Canada (www.pulsecanada.com) is an industry organization, with the CSCA and provincial pulse growers' organizations as members. It is involved in policy issues, coordinating research efforts, market development and market access. The website contains information on pulse crops, markets, and health and nutrition.

The Canadian Grain Commission (CGC) administers quality control standards for lentils. The grades are No.1, 2, 3 and extra 3 Canada other than Red, and No.1, 2, 3 and extra 3 Canada Red. Lentils which do not meet the listed grade standards are graded Sample Canada. The major quality concerns in lentil grading are damage due to heating and peeling, split or broken seed, seed discolouration, as well as foreign material. For further information, or to access the Official Grain Grading Guide, please visit the CGC website: (www.grainscanada.gc.ca).

UTILIZATION

On average, about 75% of the red type of lentils, 45% of the green type of lentils and 70% of all lentils are consumed in the countries where they are produced. Total world use has been trending upwards during the past 10 years.

Lentils are used almost exclusively for food. Generally they are canned or packaged, whole or split, for retail sale, or processed into flour. They are then used in soups, stews, salads, casseroles, snack food and vegetarian dishes. In southern Asia, split red lentils are used in curries. Lentil flour is added to cereal flour to make breads, cakes and

baby foods. Lentils are often used as a meat extender or substitute because of the high protein content and quality. Lentils have a shorter cooking time than other pulses and do not need to be pre-soaked.

Only a small volume of low quality lentils are used for livestock feed, however nutritional analysis indicates that they make an excellent feed.

Healthy Diet

Pulses, including lentils, are increasingly being used in health-conscious diets to promote general well-being and reduce the risk of illness. They are low in fat, high in

protein, and are an excellent source of both soluble and insoluble fibre, complex carbohydrates, vitamins (especially B vitamins) and minerals (especially potassium, phosphorus, calcium, magnesium, copper, iron and zinc). Lentils are an inexpensive, high quality source of protein.

Since lentils are high in fibre, low in fat and are cholesterol free, they are an excellent heart healthy food that may be beneficial to the prevention of coronary and cardiovascular disease.

Eating lentils may help lower blood cholesterol levels due to their high content of soluble fibre and vegetable protein.

Lentil consumption can be beneficial in the management of type-2 diabetes because lentils have a low glycemic index of 55 or less, indicating that their effect on blood glucose is less than that of many other carbohydrate containing foods. Lentils also have other health effects, such as reducing blood lipids, that may help some serious complications of diabetes.

Flour made from lentils is gluten free and is a very nutritious option for people with celiac disease.

Lentils fit well in vegetarian diets as they are a good source of iron and protein, and complement the amino acid profile of cereal grains and nuts.

Insoluble dietary fibre consumption can be beneficial to a healthy colon and has been associated with reducing the risk of colon cancer. In addition, diets high in fibre have demonstrated beneficial effects on weight loss because they deliver more bulk and less energy.

Lentils are an excellent source of the B vitamin folate which is an essential nutrient. In addition, folate consumption during pregnancy has been shown to reduce the risk of neural tube defects.

CANADA: LENTIL SUPPLY AND DISPOSITION

August-July crop year	2000 -2001	-2001 -2002	2002 -2003	2003 -2004f	2004 -2005f
Seeded Area (kha)	699	708	601	554	696
Harvested Area (kha)	688	664	387	536	680
Yield (t/ha)	1.33	0.85	0.91	0.97	1.00
.....thousand tonnes.....					
Carry-in stocks	80	256	131	55	15
Production:					
Large Green	440	235	185	270	350
Medium Green	120	55	40	70	85
Small Green	180	110	38	60	80
Red	155	155	85	110	150
Other*	19	11	6	10	15
Total Production	914	566	354	520	680
Imports	5	6	9	5	5
Total Supply	999	828	494	580	700
Exports					
South America	110	97	109	100	110
Europe	111	145	68	100	110
Asia	39	38	56	70	80
Africa	62	87	43	60	70
Middle East	118	66	16	60	65
Central America & Antilles	31	39	23	30	35
United States	4	6	5	10	10
Total Exports	475	478	320	430	480
Total Domestic Use	268	219	119	135	150
Total Use	743	697	439	565	630
Carry-out Stocks	256	131	55	15	70
Stocks-to-use ratio (%)	34	19	13	3	11
Harvested Area (kac)	1,700	1,641	956	1,324	1,680
Yield (lb/ac)	1,185	761	816	866	892
Average producer price					
Large Green** \$/t	331	386	650	452	397
\$/lb	0.150	0.175	0.295	0.205	0.180
Medium Green \$/t	309	331	573	419	364
\$/lb	0.140	0.150	0.260	0.190	0.165
Small Green** \$/t	320	276	430	375	342
\$/lb	0.145	0.125	0.195	0.170	0.155
Red** \$/t	342	309	364	375	353
* dark green speckled and brown					
** Saskatchewan, No.1 Canada grade					
f: Agriculture and Agri-Food Canada forecast, May 2004					
Source: Statistics Canada and AAFC					

Lentils contain non-nutritional components called phytochemicals which have demonstrated favourable effects in the prevention and treatment of numerous chronic conditions including cancer, diabetes, cardiovascular disease and hypertension.

OUTLOOK: 2004-2005

World

World production and supply are forecast to increase by 11% and 9%, respectively, from 2003-2004, to 3.30 and 3.35 Mt. Canada's share of world production is expected to increase to 21% from 17% in 2003-2004. Total world use and carry-out stocks are

forecast to increase.

Canada

Canadian seeded area is forecast to increase by 26%. Since 98% of the lentils are expected to be seeded in Saskatchewan and since most of Saskatchewan has below normal soil moisture reserves, it will be difficult to achieve trend yields even if there is normal precipitation during the growing period. Therefore, assuming normal precipitation for the growing period, average yields are forecast to be lower than trend, but slightly higher than in 2003-2004. Based on these assumptions, production is expected to increase by 31% from 2003-2004 to 680,000 t. The main factor to watch is

precipitation during the growing period, as it will have a large impact on production. Production is expected to increase for all types.

Supply is forecast to increase by only 21% to 700,000 t, due to lower carry-in stocks. Exports are expected to increase as Canada's share of world supply increases. Carry-out stocks are forecast to increase to 70,000 t, with the stocks-to-use ratio increasing to 11%. Average producer prices are forecast to decrease for all types due to the higher supply. However, prices could be very volatile, especially for the green types, if there are any production problems.

For periodic updates on the situation and outlook for lentils, visit the Market Analysis Division Website for "Canada: Pulse and Special Crops Outlook".

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US FARM SECURITY AND RURAL INVESTMENT ACT OF 2002 (FSRIA)

For the first time, lentils, dry peas and small chick peas are included under the loan program. The loan rate provides a floor price to the producer for lentils because if the price is lower than the loan rate, the producer is eligible for a loan deficiency payment. This made it easier for producers to obtain operating loans. The loan rate for lentils was US\$11.94/cwt (100 pounds) for crop years 2002 and 2003, and will be US\$11.72/cwt for 2004 to 2007. The base quality levels for the 2002 crop year was No.1 grade, but was lowered starting with the 2003 crop year to No.3 grade, which makes it easier for lentils to qualify for loan deficiency payments (LDP).

Loans made under the program for 2002-2003 were US\$0.36M and US\$2.06M for the first 11 months of 2003-2004. LDPs were US\$2.38M for 2002-2003, but there were no LDPs for the first 11 months of 2003-2004 as the posted county prices were above the loan rate. For 2002-2003, the average LDP was US\$1.25/cwt and was paid for about 75% of US lentil production.

US lentil production in 2003-2004 occurred in the states of Washington (37%), Idaho (26%), Montana (11%) and North Dakota (26%). The medium green and brown types accounted for most of the production, but the US also produced large green, small green and red types. The largest buyer of US produced lentils is the United States Department of Agriculture (USDA), which uses them for food aid programs.

US seeded area increased by 6% from 2001 to 2002, when the loan program was introduced for lentils. The seeded area increased by 10% from 2002 to 2003 and is forecast to increase by 12% from 2003 to 2004. The US Congressional Budget Office forecast a doubling of seeded area from 2001 to 2007. Although the rate of increase in seeded area for 2002 and 2003 was lower than the Budget Office forecast, including lentils under the loan program has supported increased seeding.

Lentils are not eligible for **direct payments** and **counter-cyclical** support. However, these are based on historical seeded area and yields and are theoretically decoupled from seeded area during the year of the payout.

Increased lentil production in the US is expected to pressure world prices. For example, if US production doubled, that is a 4% increase in world production and a 13% increase in lentils available for exports. Higher production in the US means that more of the US lentils will have to be sold commercially rather than to the USDA. Although higher US production is expected to pressure world prices, producers in the US will be protected from lower prices by the loan rate. Most of the increase in US production is expected to be in Montana and North Dakota, as there is more competition for land from other crops in Washington and Idaho. Production of lentils is not expected to spread to other states as they are either too hot or too wet for lentil production.

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Canadian Special Crops Association, Pulse Canada, Saskatchewan Agriculture, Food and Rural Revitalization, University of Saskatchewan, Market and Industry Services Branch (AAFC)

FABABEANS: SITUATION AND OUTLOOK

Fababeans (*Vicia faba*) are a significant crop in Europe, northern Africa, the Middle East, China and Australia. Other names for this crop are broad beans, fava beans, horse beans, tick beans and Windsor beans. Canada is a small producer of fababeans, but the crop is an important source of income for some producers. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for fababeans.

WORLD

Production

World production has been variable during the past 10 years, ranging from a low of 3.58 million tonnes (Mt) in 1997-1998 to a high of 4.85 Mt in 2002-2003, but trending upwards. China has been the main producer, accounting for 40-45% of world production. Among the major producers, production trended upwards during the past 10 years in Australia, United Kingdom, France and Ethiopia, but has been relatively stable in China, Egypt and Sudan.

Utilization

Fababeans are a good source of carbohydrates, protein and fibre, and are low in fat. The protein content ranges from 24 to 31%. They are used for human food

and livestock feed. As food, they are used in regional cuisine, especially in countries along the Mediterranean Sea, in soups and casseroles, and as a cooked vegetable. The health benefits of eating pulses described under lentils also apply to fababeans

CANADA

Production

Fababeans are better at fixing their own nitrogen than any other pulse crop produced in Canada. Therefore, the use of nitrogen fertilizer is not recommended, provided that the seed is inoculated with the appropriate strain of rhizobia. However, they are a cool weather crop and the least drought tolerant of the pulse crops produced in Canada.

Therefore, the most suitable area for

production in the Prairie Provinces is the black soil zone. Fababeans are best suited to clay or clay loam soils, provided surface drainage is effective. They should be seeded early, as a long growing season is required to optimize yield. Depending on variety, days to maturity range from 94 to 102. Yield will usually be reduced if seeded after the third week in May. Swathing is recommended as they require a 2-3 week drydown period before harvesting.

Trade

On average, about 85% of fababeans are consumed in the countries where they are produced. During the past 10 years, world trade has been variable, ranging from 0.25 to 0.58 Mt. The variability was related to the production levels in the importing countries and there was no significant upward or downward trend. The top four exporting countries, Australia, France, United Kingdom, and China, normally accounted for over 90% of world exports. Imports were dominated by three countries, Egypt, Italy, and Spain, which normally accounted for more than 80% of world imports. Egypt's imports were the most variable and depended on the level of domestic production.

Marketing

All of the fababeans produced in Canada are sold on the open market to dealers. There are only a few dealers across the Prairie Provinces who buy, clean and ship fababeans to domestic and export customers. Some feedmills also buy fababeans and some are used for livestock feed on the farms where they are produced.

The Canadian Grain Commission (CGC) establishes quality standards for fababeans. The grades are No. 1, 2 and 3 Canada. Fababeans which do not meet the listed grade standards are graded Sample Canada. For further information, or to access the Official Grain Grading Guide, please visit the CGC website: www.grainscanada.gc.ca

WORLD: FABABEAN SUPPLY AND DISPOSITION

	2000 -2001	2001 -2002	2002 -2003	2003 -2004p	2004 -2005f
Harvested Area (kha)	2,490	2,750	2,655	2,615	2,700
Average Yields (t/ha)	1.65	1.72	1.82	1.78	1.78
.....thousand tonnes.....					
China	1,788	1,950	2,100	1,800	1,900
United Kingdom	484	606	631	667	690
Ethiopia	389	454	447	447	430
Egypt	354	439	440	440	430
France	109	167	381	291	320
Australia	303	405	134	305	324
Sudan	131	89	90	90	90
Morocco	33	82	89	85	80
Italy	81	84	72	65	70
Germany	61	81	65	56	65
Spain	14	15	42	52	50
Peru	49	45	48	50	45
Canada	15	10	9	9	11
Others	289	297	297	298	295
Total Production	4,100	4,725	4,845	4,655	4,800
Carry-in Stocks	100	100	400	500	350
Total Supply	4,200	4,825	5,245	5,155	5,150
Total Use	4,100	4,425	4,745	4,795	4,850
Carry-out Stocks	100	400	500	350	300
Stocks-to-use Ratio	2%	9%	11%	7%	6%

p: preliminary

f: forecast, AAFC, Pulse Australia, May 2004

Source: FAO, UNIP, Pulse Australia and Statistics Canada, May 2004

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May 14, 2004 Volume 17 Number 9

Domestic Use

Canadian domestic use, which includes food, feed, seed, dockage, and waste, accounts for about 60% of production and has been relatively stable during the past 10 years. Most of the domestic use is for livestock feed. Fababeans used for food are either canned or dry packed.

Exports

Canadian fababean exports have been variable during the past 10 years, ranging from 2,000 to 8,000 t per year. Most of the exports go to the Middle East, with Egypt, Saudi Arabia, Lebanon and Jordan being the largest importing countries. The United States (US) is the second major importer of Canadian fababeans. Exports to the US have been relatively stable during the past 10 years, while exports to the Middle East have been variable. Occasionally, some fababeans are exported to Europe and Latin America. Canada imports a small amount of fababeans, mainly from the US.

Prices

Since there is no futures market for fababeans, prices are negotiated directly between the dealers and producers, based on supply and demand factors. A portion of

the fababeans produced is normally contracted before seeding, but the price is generally not established until delivery.

OUTLOOK

2004-2005

World production is expected to increase by 3%, from 2003-2004, to 4.80 Mt, while supply remains stable at 5.15 Mt. Canadian seeded area is forecast to increase due to increased seeding in Alberta. Assuming normal yields, production and supply are expected to increase moderately. Canadian average producer prices are forecast to be similar to 2003-2004 for the No.2 Canada grade, but lower for feed.

CANADA: LONGER-TERM

Work is underway in Alberta and Saskatchewan to develop new varieties which are more suitable for both the food and feed markets. For the food market, the goal is to develop seed of appropriate size, shape and colour to meet market demands. For the feed market, work is centered on developing small seed, zero tannin varieties suitable for livestock feed, especially for feeding hogs and poultry. Tannins act as a

natural fungicide, but also decrease protein digestibility, palatability and feed

intake. A key part of the current variety development strategy is to reduce the maturity requirement so that fababeans will be more specifically adapted to the short season areas of the black soil zone.

Fababeans can also be used for silage because of the large amount of biomass produced. One benefit of growing fababeans relative to other pulse crops is the possibility of leaving standing stubble for improved moisture retention in the reduced tillage system.

Canadian production is expected to increase as the new varieties are developed, with most of the increase occurring in the black soil zones of Alberta and Saskatchewan. Most of the increase in production is expected to be used in the prairie provinces for livestock feed. However, commercial feed mills need sufficient supply to make it economical for them to switch to using fababeans in feed rations. At the same time, producers need a price which is sufficiently attractive to grow fababeans.

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CANADA: FABABEAN SUPPLY AND DISPOSITION

August-July crop year	2000 -2001	2001 -2002	2002 -2003	2003 -2004p	2004 -2005f
Seeded/Harvested Area (kha)	6	5	5	5	6
Yield (t/ha)	2.50	2.00	1.80	1.80	1.83
.....thousand tonnes.....					
Carry-in Stocks	0	4	4	2	1
Production	15	10	9	9	11
Imports	1	1	1	1	1
Total Supply	16	15	14	12	13
Exports					
Middle East	3.5	1.5	2.5	2.5	2.5
United States	1.5	1.5	1.5	1.5	1.5
Total Exports	5	3	4	4	4
Total Domestic Use	7	8	8	7	8
Total Use	12	11	12	11	12
Carry-out Stocks					
Stocks-to-use ratio (%)	33	36	17	9	8
Harvested Area (kac)	15	12	12	12	15
Yield (lb/ac)	2,230	1,784	1,606	1,606	1,636
Average Producer Price					
No.2 Canada grade* \$/t	176	187	187	198	198
\$/lb	0.080	0.085	0.085	0.090	0.090
Feed* \$/t	88	99	110	121	110
\$/lb	0.040	0.045	0.050	0.055	0.050

* Manitoba

p: preliminary

f: Agriculture and Agri-Food Canada forecast, May 2004

Source: Statistics Canada and AAFC

WORLD: FABABEAN EXPORTS AND IMPORTS

calendar year	1998	1999	2000	2001	2002
..... thousand tonnes.....					
EXPORTS					
Australia	110	170	197	239	289
France	7	40	36	46	135
United Kingdom	80	155	159	76	97
China	18	165	76	36	23
Canada*	2	8	4	4	3
Other	30	36	49	43	36
Total	247	574	521	444	583
IMPORTS					
Egypt	56	227	172	243	288
Italy	177	181	151	158	180
Spain	36	66	45	61	52
Morocco	2	12	16	5	14
Sudan	1	8	16	11	8
Saudi Arabia	7	26	9	9	7
Other	54	60	77	72	73
Total	333	580	486	559	622

The difference between imports and exports is attributed to the timing of delivery.

Source: FAO except * which is Statistics Canada, May 2004

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS										May 17, 2004									
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	May 17, 2004	FOB		201.00	171.00	207.00			487.50	259.00	142.00		900.00	520.00					
BC	May 10, 2004			196.00	N/A	176.00	211.00		527.50	290.00	142.00		900.00	520.00					500.00
Calgary	May 17, 2004	FOB		170.00	N/A	147.00	200.00		491.50			250.00	950.00	555.00					490.00
AB	May 10, 2004			165.00	N/A	152.00	197.00		515.00				950.00	555.00					460.00
Saskatoon	May 17, 2004	FOB		168.50	156.00	134.00	186.00		494.50	N/A		265.00	N/A	555.00			201.00		510.00
SK	May 10, 2004			158.00	157.50	132.00	184.00		514.00	N/A		265.00	N/A	555.00			196.00		500.00
Melfort	May 17, 2004	FOB																	
SK	May 10, 2004																		
Winnipeg	May 17, 2004	FOB		167.50	140.00	131.00	179.00		476.00	N/A		290.00	895.00	500.00					470.00
MB	May 10, 2004			168.00	140.00	132.50	180.00		495.00	N/A		290.00	895.00	500.00					470.00
Thunder Bay	May 17, 2004	In-Store		199.00	N/A	149.65													
ON	May 10, 2004			198.00	N/A	153.75													
Lake Ports	May 17, 2004	On Board					164.60												
USA	May 10, 2004	Vessel					174.55												
Bay Ports	May 17, 2004	In-Store		220.00	230.00	165.00													
ON	May 10, 2004			212.00	230.00	165.00													
Chatham	May 17, 2004	Track					161.48												
ON	May 10, 2004						167.71												
Toronto	May 17, 2004	N/A						FOB				342.00	N/A	460.00	630.00	133.00			650.00
ON	May 10, 2004											336.00	N/A	460.00	630.00	133.00			600.00
Hamilton	May 17, 2004	N/A							478.18	226.80									
ON	May 10, 2004								508.16	256.00									
Eastern	May 17, 2004	FOB					166.13												
ON	May 10, 2004						166.13												
London	May 17, 2004	FOB																	
ON	May 10, 2004																		
Port Colborne	May 17, 2004	FOB																	
ON	May 10, 2004																		
Cardinal	May 17, 2004	FOB																	
ON	May 10, 2004																		
Montreal	May 17, 2004			216.00	165.00	178.00	170.00		490.03	262.63	146.67	342.00	850.00	474.00	630.00	133.00			575.00
QC	May 10, 2004			216.00	175.00	186.50	170.00	FOB	525.65	312.00	151.67	336.00	850.00	463.00	620.00	128.00			540.00
Trois-Rivières	May 17, 2004	In-Store		221.00		183.30	185.92												
QC	May 10, 2004			220.00		191.50	195.66												
St. Jean QC	May 17, 2004	FOB		194.85	147.41	174.40	164.55		458.84										
St. Hyacinthe QC	May 10, 2004			195.51	151.38	172.06	166.25		484.67										
Quebec	May 17, 2004	In-Store		214.00	N/A	200.06	180.35		490.67										
QC	May 10, 2004			216.67	N/A	211.12	180.44		524.50										
Truro	May 17, 2004	Track		238.41	230.00	216.24	204.74		533.25	369.28									575.00
NS	May 10, 2004			234.91	230.00	218.34	208.31	FOB	521.28	351.53									540.00
Truro	May 17, 2004	Water		N/A	N/A	N/A	N/A												
NS	May 10, 2004	& Truck		N/A	N/A	N/A	N/A												
Halifax	May 17, 2004	In-Store		N/A	N/A	N/A	198.33		544.38				1,000.00	N/A					
NS	May 10, 2004			N/A	N/A	N/A	213.40		552.03				1,000.00	N/A					
Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close																			
Contact: Corinne Bruneau Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: bruneau@agr.gc.ca																			
Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.																			
Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.																			
Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.																			
(1) Wheat 3CWRs (2) Canadian Corn #3 or #2. (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW																			

US\$1.00=CAN\$1.3925, closing date May 14, 2004

N/A = not available

B. CASH PRICES AND REPLACEMENT VALUES

May 17, 2004

PRAIRIE GRAINS

Selected Points	Price Basis		This week 17-May-04	Last week 3-May-04	Month ago 19-Apr-04	Year ago 20-May-03
From: Thunder Bay(WCE) (2)	In-Store	Wheat	187.00	180.00	173.00	141.50
(CBOT)		Oat	151.50	180.00	162.00	158.75
(Lethbridge)		Barley	151.00	154.00	149.00	152.80
To: Bayport, ON (1)	In-store	Wheat	210.61	203.61	196.61	165.11
		Oat	N/A	N/A	N/A	N/A
		Barley	178.39	181.39	176.39	180.19
Montreal, QC (1)	In-store	Wheat	215.03	208.03	201.03	169.53
		Oat	N/A	N/A	N/A	N/A
		Barley	183.31	186.31	181.31	185.11
Moncton, NB	Truck via Halifax	Wheat	237.25	230.25	223.25	191.75
		Oat	N/A	N/A	N/A	N/A
		Barley	207.50	210.50	205.50	209.30
Truro, NS	Truck via Halifax	Wheat	231.22	224.22	217.22	185.72
		Oat	N/A	N/A	N/A	N/A
		Barley	205.00	208.00	203.00	206.80
Halifax, NS (1)	In-store	Wheat	222.28	215.28	208.28	176.78
		Oat	N/A	N/A	N/A	N/A
		Barley	191.30	194.30	189.30	193.10
Stephenville, NL	Track / Truck via Sydney	Wheat	285.63	278.63	271.63	240.13
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 17-May-04	Last week 3-May-04	Month ago 19-Apr-04	Year ago 20-May-03
Corn						
From: US Lake Port	On Board Vessel		164.60	174.55	166.91	144.06
To: Montreal, QC (1)	In-store		183.64	193.59	185.95	163.10
From: Chicago (Mi)	Track		151.44	160.92	156.73	135.45
To: Montreal, QC	Track		180.30	189.78	185.59	164.31
From: Chatham, ON	Track		161.48	167.71	162.88	157.99
To: Montreal, QC	Track		185.35	191.58	186.75	181.79

Soymeal 48% Protein

From: Hamilton, ON			478.18	508.16	464.51	262.95
To: Montreal, QC	Track		502.51	532.49	488.84	287.28
Moncton, NB	Track		521.26	551.24	507.59	306.03
Truro, NS	Track		524.48	554.46	510.81	309.25
Stephenville, NL	Track / Truck via Sydney		573.11	603.09	559.44	357.88

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

May 3, 2004

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	May 3, 2004	FOB	190.00	N/A	173.00	216.36		513.25	303.00	142.00		900.00	520.00					470.00
BC (4) (7)	April 26, 2004	FOB	190.00	N/A	173.00	203.00		481.00	287.00	145.00		900.00	520.00					470.00
Calgary	May 3, 2004	FOB	159.00	N/A	149.00	198.00		506.50			250.00	950.00	530.00					480.00
AB (4)	April 26, 2004	FOB	159.00	N/A	149.00	198.00		475.50			250.00	950.00	530.00					480.00
Saskatoon	May 3, 2004	FOB	159.00	155.00	132.00	194.00		505.50	N/A		250.00	N/A	530.00			197.67		480.00
SK (4)	April 26, 2004	FOB	159.00	155.00	132.00	194.00		478.25	N/A		250.00	N/A	530.00			197.67		480.00
Melfort	May 3, 2004	FOB																
SK	April 26, 2004																	
Winnipeg	May 3, 2004	FOB	155.00	140.00	128.50	172.00		486.50	N/A		290.00	900.00	500.00					470.00
MB (4) (9)	April 26, 2004	FOB	158.00	140.00	128.00	172.00		459.00	N/A		290.00	895.00	500.00					450.00
Thunder Bay	May 3, 2004	In-Store	184.00	N/A	154.50													
ON (8)	April 26, 2004		178.05	N/A	154.95													
Lake Ports	May 3, 2004	On Board				177.13												
USA (3)	April 26, 2004	Vessel				166.91												
Bay Ports	May 3, 2004	In-Store	212.00	230.00	165.00													
ON	April 26, 2004		212.00	230.00	165.00													
Chatham	May 3, 2004	Track				169.55												
ON	April 26, 2004					162.88												
Toronto	May 3, 2004	N/A					FOB											
ON (5)	April 26, 2004																	
Hamilton	May 3, 2004	N/A						486.22	246.00		331.00	N/A	460.00	605.00	128.00		285.00	550.00
ON	April 26, 2004							484.51	236.40		325.00	N/A	460.00	605.00	128.00		285.00	500.00
Eastern	May 3, 2004	FOB				168.53												
ON	April 26, 2004					170.90												
London	May 3, 2004	FOB												605.00	128.00			
ON	April 26, 2004													605.00	128.00			
Port Colborne	May 3, 2004	FOB								137.50				605.00	128.00			
ON	April 26, 2004									150.00				605.00	128.00			
Cardinal	May 3, 2004	FOB												605.00	128.00			
ON	April 26, 2004													615.00	128.00			
Montreal	May 3, 2004		210.00	175.00	190.00	169.00		502.32	307.30		331.00	850.00	463.00	605.00	128.00		267.00	500.00
QC (5)	April 26, 2004		205.50	187.40	160.00	168.69	FOB	483.67	289.00		325.00	850.00	463.00	615.00	128.00		267.00	470.00
Trois-Rivières	May 3, 2004	In-Store	217.50		193.00	199.30												
QC	April 26, 2004		214.00		189.50	189.56												
St. Jean QC (2)	May 3, 2004	FOB	189.92	151.82	172.09	167.67		488.16										
St. Hyacinthe QC	April 26, 2004		191.18	160.85	174.56	163.08		488.72										
Quebec	May 3, 2004	In-Store	212.93	N/A	210.00	179.55		502.49										
QC	April 26, 2004		208.83	N/A	209.89	178.47		488.96										
Truro	May 3, 2004	Track	234.91	230.00	218.34	207.20		502.49	351.53		352.00		485.00					470.00
NS	April 26, 2004		234.91	230.00	218.34	206.98	FOB	494.50	351.53		346.00		515.00					450.00
Truro	May 3, 2004	Water	N/A	N/A	N/A	N/A												
NS	April 26, 2004	& Truck	N/A	N/A	N/A	N/A												
Halifax	May 3, 2004	In-Store	N/A	N/A	N/A	208.83		528.80			297.50		N/A					
NS (6)	April 26, 2004		N/A	N/A	N/A	205.10		513.50			297.50		N/A					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: Corinne Bruneau Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: bruneauc@agr.gc.ca
 US\$1.00=CAN\$1.3707, closing date April 30, 2004
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
 Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

May 3, 2004

PRAIRIE GRAINS

Selected Points		Price Basis		This week 3-May-04	Last week 19-Apr-04	Month ago 5-Apr-04	Year ago 5-May-03
From: Thunder Bay(WCE) (2)	In-Store	Wheat		180.00	173.00	175.00	136.00
(CBOT)		Oat		180.00	162.00	177.75	148.25
(Lethbridge)		Barley		154.00	149.00	155.60	149.00
To: Bayport, ON (1)	In-store	Wheat		203.61	196.61	198.61	159.61
		Oat		N/A	N/A	N/A	N/A
		Barley		181.39	176.39	182.99	176.39
Montreal, QC (1)	In-store	Wheat		208.03	201.03	203.03	164.03
		Oat		N/A	N/A	N/A	N/A
		Barley		186.31	181.31	187.91	181.31
Moncton, NB	Truck via Halifax	Wheat		230.25	223.25	225.25	186.25
		Oat		N/A	N/A	N/A	N/A
		Barley		210.50	205.50	212.10	205.50
Truro, NS	Truck via Halifax	Wheat		224.22	217.22	219.22	180.22
		Oat		N/A	N/A	N/A	N/A
		Barley		208.00	203.00	209.60	203.00
Halifax, NS (1)	In-store	Wheat		215.28	208.28	210.28	171.28
		Oat		N/A	N/A	N/A	N/A
		Barley		194.30	189.30	195.90	189.30
Stephenville, NL	Track / Truck via Sydney	Wheat		278.63	271.63	273.63	234.63
		Oat		N/A	N/A	N/A	N/A
		Barley		N/A	N/A	N/A	N/A
Melfort, SK		Wheat		N/A	N/A	N/A	N/A
		Oat		N/A	N/A	N/A	N/A
	Track	Barley		N/A	N/A	N/A	N/A
Bayport, ON		Wheat		N/A	N/A	N/A	N/A
		Oat		N/A	N/A	N/A	N/A
	Track	Barley		N/A	N/A	N/A	N/A
Montreal, QC		Wheat		N/A	N/A	N/A	N/A
		Oat		N/A	N/A	N/A	N/A
	Track	Barley		N/A	N/A	N/A	N/A
Moncton, NB		Wheat		N/A	N/A	N/A	N/A
		Oat		N/A	N/A	N/A	N/A
	Track	Barley		N/A	N/A	N/A	N/A
Truro, NS		Wheat		N/A	N/A	N/A	N/A
		Oat		N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley		N/A	N/A	N/A	N/A
Stephenville, NL		Wheat		N/A	N/A	N/A	N/A
		Oat		N/A	N/A	N/A	N/A
		Barley		N/A	N/A	N/A	N/A

Selected Points		Price Basis		This week 3-May-04	Last week 19-Apr-04	Month ago 5-Apr-04	Year ago 5-May-03
Corn							
From: US Lake Port	On Board Vessel			177.13	166.91	171.79	143.06
To: Montreal, QC (1)	In-store			196.17	185.95	190.83	162.10
From: Chicago (Mi)	Track			163.10	156.73	164.94	134.10
To: Montreal, QC	Track			191.96	185.59	193.80	162.96
From: Chatham, ON	Track			169.55	162.88	168.69	156.12
To: Montreal, QC	Track			193.42	186.75	192.56	179.92

Soymeal 48% Protein							
From: Hamilton, ON				486.22	464.51	421.50	263.32
To: Montreal, QC	Track			510.55	488.84	445.83	287.65
Moncton, NB	Track			529.30	507.59	464.58	306.40
Truro, NS	Track			532.52	510.81	467.80	309.62
Stephenville, NL	Track / Truck via Sydney			581.15	559.44	516.43	358.25

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



Bi-weekly Bulletin

June 11, 2004 Volume 17 Number 9

UNITED KINGDOM: WHEAT AND DURUM

The United Kingdom (UK) is a very important market for Canadian wheat and was Canada's third largest market for Canadian wheat excluding durum in 2002-2003 after Japan and Mexico. Over the medium-term, UK wheat (excluding durum) imports from Canada are projected to remain stable as the European Union (EU) decouples most of its farm subsidies from production beginning in 2005. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for the UK's wheat sector and the prospects for trade with Canada.

Agricultural Policy

The UK consists of: England, Scotland, Wales, and Northern Ireland. The UK government is committed to a free trade, market oriented approach for agriculture. The UK supports Common Agricultural Policy (CAP) reforms that reduce support price payments and encourage producers to base their seeding intentions on market signals and consumer needs. UK agricultural policy emphasizes environmental and safety issues.

industry, increase food law enforcement and establish policy making through public consultations.

Wheat Policy

As part of the June 2003 CAP Reform, the EU announced in July 2003, that it will fully decouple most of its farm payments from production between 2005 and 2007. It will merge them into a 'single payment' linked to meeting certain environmental, food safety and animal welfare standards.

It is expected that a reduction in area-based payments to EU durum producers over the next three or four years may result in a decrease in EU durum production by 2007, which could potentially create new export opportunities for Canada. In traditional

growing areas such as Italy, direct support payments to producers will be reduced from €313 (CAN\$504) per hectare (/ha) in 2004 to €285 (CAN\$458)/ha. The payments will also be fully decoupled from current durum production and will be based on historical payments. As a result, EU producers will be able to grow crops other than durum on durum land and still receive the subsidy. An important caveat is that each EU country will have the option of decoupling only 60% of the durum subsidy and keeping the rest tied to current production, which would likely keep area seeded to durum similar to historic levels. Also, a new durum quality program is being introduced that will link support payments to recommended agronomic practices, such as certified seed. This is expected to increase the quality of EU durum and may limit imports.

The UK government's 2001-2006 Strategic Policy Plan sets out food safety policy. The goal of the plan is to promote healthy eating habits, reduce food borne illnesses by improving safety throughout the food chain, promote reliable labelling in the food

UNITED KINGDOM: ALL WHEAT SUPPLY AND DISPOSITION

July-June crop year	1999 -2000	2000 -2001	2001 -2002	2002 -2003	2003 -2004f	2004 -2005f
Harvested Area (kha)	1,847	2,086	1,635	1,996	1,837	1,965
Average Yields (t/ha)	8.05	8.01	7.08	8.00	7.78	8.24
.....thousand tonnes.....						
Carry-in Stocks	1,569	1,555	2,382	1,978	2,038	1,831
Production	14,867	16,704	11,580	15,973	14,288	16,200
Imports*	1,244	1,194	1,490	1,107	950	1,000
Total Supply	17,680	19,453	15,452	19,058	17,276	19,031
Food, Seed, Industrial Use	6,744	6,787	6,738	6,739	6,716	6,735
Feed Use	6,246	6,894	6,158	6,876	6,529	6,800
Exports*	3,135	3,390	578	3,405	2,200	3,000
Total Consumption	16,125	17,071	13,474	17,020	15,445	16,535
Carry-out Stocks	1,555	2,382	1,978	2,038	1,831	2,496

* includes EU intra-trade

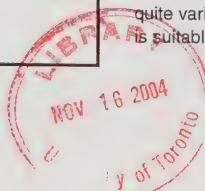
f: forecast, AAFC, May 2004

Source: UK Department for Environment, Food and Rural Affairs

In addition, the EU introduced separate annual import quotas for low and medium quality wheat at the start of 2003 to curb wheat imports from Russia and Ukraine. Canada was given access to 38,000 tonnes (t), the US 572,000 t and all other third countries have an annual 2.37 million tonnes (Mt). Canada has filled 3,805 t of its 2004 quota, and as of April 19, 2004 there were about 2.19 Mt available under the general third country quota and 449,460 t under the US quota. All in-quota shipments carry a preferential duty of €12 (CAN\$19/t) per tonne (/t) and the after-quota duty is €95 (CAN\$153)/t.

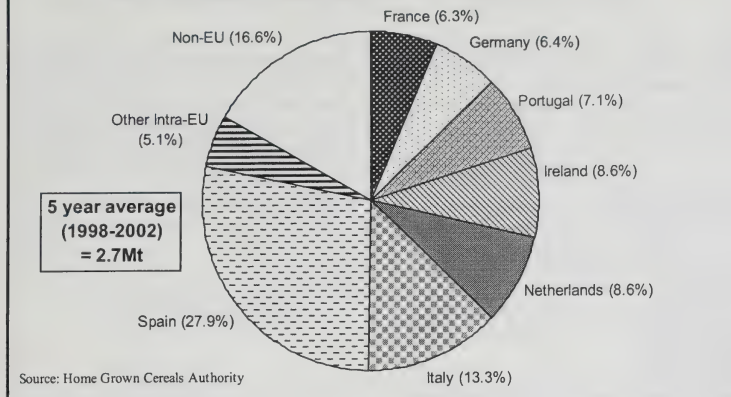
Production

The climate and topography of the UK are quite varied. The area of southern England is suitable for the production of wheat and



<i>July-June crop year</i>	1999 -2000	2000 -2001	2001 -2002	2002 -2003	2003 -2004f	2004 -2005f
Harvested Area (kha)	1	1	1	1	1	1
Average Yields (t/ha)	6	6	6	6	6	6
	..... thousand tonnes					
Carry-in Stocks	0	0	14	17	24	22
Production	6	6	6	6	6	6
Imports*	<u>55</u>	<u>41</u>	<u>43</u>	<u>64</u>	<u>58</u>	<u>60</u>
Total Supply	61	47	63	87	88	88
Food, Seed, Industrial Use	33	33	46	61	66	68
Exports*	<u>28</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>0</u>
Total Consumption	61	33	46	63	66	68
Carry-out Stocks	0	14	17	24	22	20
* includes EU intra-trade						
f: forecast, AAFC, May 2004						
Source: ONIC						

UK WHEAT EXPORTS BY DESTINATION



premium prices. UK winter wheat tends to be softer and lower in gluten and protein than Canadian wheat. As a result, when Canadian wheat is milled, the result is a strong flour characterized by elevated insoluble protein (gluten forming) content and diminished starch content. By contrast, when UK winter wheat is milled, the result is a weaker flour with elevated starch content and a diminished insoluble protein content.

About 65% of domestic wheat flour is used for bread, with 12% used for biscuits and the remainder used for various domestic cake and confectionery products, according to WORLD GRAIN. In recent years, bread flour production increased slightly in line with increased demand for flour in pizza, fast food products and to a lesser extent in the white bread market.

Two sectors form the basis of the baking industry in the UK: the plant bakers producing predominantly wrapped bread on a large scale and the supermarket bakeries which offer a range of crusty breads baked from scratch or finished off in-store. Large bakeries retain the largest share of the market, still producing around three quarters of bread consumed in the UK, the equivalent of 9 million loaves each day. Economies of scale allow plant bakers to produce bread extremely efficiently and at excellent value. The last decade has, however, seen the overall balance of the industry change as multiple retailers have moved into in-store baking thereby exerting pressure on the position of the craft/high street sector.

Pasta

Most of the durum wheat used in pasta production in the UK is imported from the south of France and Italy, as the climate in the UK is not suitable for large areas of production. Currently, per capita pasta consumption in the UK is 2.5 kg per annum versus 6 kg in Canada.

Industrial Use

The expansion of UK industrial use of wheat is mostly centered on potential replacement of fossil fuel derived energy and chemicals. It is largely dependent on relative prices and government policy.

Imports

The UK is expected to import 1.0 Mt of wheat in 2004-2005, up marginally from last year, due to higher expected production in the EU. About 65% of UK wheat imports have come from other EU countries with France and Germany as the largest suppliers. For 2004-2005, the share of imports from other EU states is expected to rise, largely due to larger expected exportable EU supplies. Imports from non-EU countries, primarily Canada, are therefore expected to fall. For 2004-2005, UK wheat imports from Canada are

projected to fall slightly from 2003-2004, to about 0.3 Mt. This largely consists of high protein No.1 and No.2 Canada Western Red Spring wheat, used to blend with lower protein wheat domestically produced.

The UK imports nearly all of its durum and is forecast to import 60,000 t in 2004-2005, similar to last year. The largest proportion of durum imports are expected to occur from EU countries such as France, Germany, and Spain. For 2003-2004, UK durum imports from Canada are forecast at 25,000 t, largely lower grades of Canada Western Amber Durum. For 2004-2005, UK durum imports from Canada are forecast at zero, largely due to a return to normal EU durum production.

Exports

For 2003-2004, the dry weather conditions which reduced crops in many key EU wheat regions has led to an increased demand for UK feed grains. Spain, Italy, and Ireland, traditionally main markets for UK wheat, have imported more UK wheat to-date in 2003-2004. This has been offset by reduced exports to the smaller market countries of Belgium, France, and the Netherlands. Following an early harvest in the UK, over 0.4 Mt of wheat were exported in August alone as a result of the uncertainty of the unharvested French corn crop. UK wheat exports dropped off in the following months and are currently forecast at 2.2 Mt, down 35% from 2002-2003. For 2004-2005, UK wheat exports are forecast to rise to 3.0 Mt, due to an expected increase in exportable wheat supplies.

The UK has not exported durum since 1999-2000, as it is largely consumed domestically. The UK has kept carry-out stocks in the 15,000-20,000 t range.

The rise in the number of working women and single-person households is offering new market opportunities in the UK agri-food sector. The desire to spend less time on meal preparation and the hectic pace of life in major cities have created increased

consumer demand for convenience, variety and value added. Furthermore, outbreaks of BSE, foot and mouth disease and concerns over genetically modified organisms have led consumers to scrutinize what they eat. Consequently, convenience foods, health-oriented foods including organics and value-added products continue to dominate food trends in the UK.

CANADA: WHEAT AND DURUM EXPORTS TO UNITED KINGDOM

August-July crop year	1999 -2000	2000 -2001	2001 -2002	2002 -2003	2003 -2004f	2004 -2005f
.....thousand tonnes.....						
Wheat*	410	318	360	313	310	300
Durum	0	0	2	0	25	0

* excludes durum

f: forecast, AAFC, May 2004

Source: Canadian Grain Commission

In the medium-term, UK's wheat and durum import needs will continue to be dependent on production in other EU countries. With the EU beginning to decouple its farm subsidy program in 2005 through to 2007, EU durum acres and production are expected to decline. Canadian wheat exports to the UK are expected to remain

stable and Canada is expected to be well positioned to continue to service this market.

For the UK flour milling industry, it is likely that production will remain stable over the next few years while household bread consumption remains static. Growth

opportunities still exist, however, in the production of flours for specialized products, morning foods and the pizza/fast food market.

Opportunities for Canadian Exporters

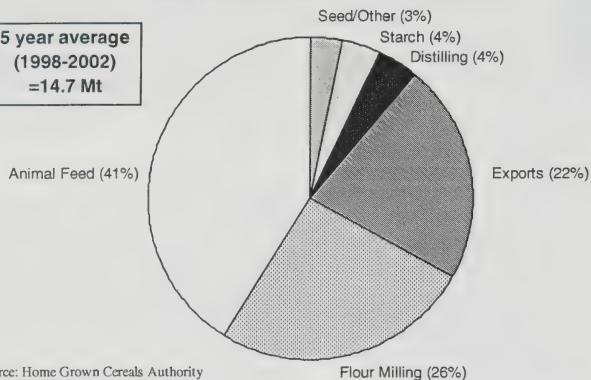
Canadian exporters will continue to find opportunities to supply commodities such as wheat to the UK food processing industry. Canadian wheat is sourced specifically because of its high quality and helps UK millers and bakers meet the growing demand for premium breads.

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END USE FOR UK WHEAT

5 year average
(1998-2002)
=14.7 Mt



Source: Home Grown Cereals Authority

WARBURTONS PAYS PREMIUM FOR CANADIAN WHEAT

Warburtons was founded in 1876 and consists of 11 bakeries and 9 depots. The company is the leading independent baker in the UK. Warburton's bread is made from a blend of two-thirds Canadian wheat and one-third UK wheat. The company uses high quality Canadian wheat, which is grown under their contracting program with Canadian wheat producers. Warburtons pays growers a premium over the price paid for all Canadian wheat exports to the UK. Warburtons is contracted with about 800 Canadian producers to grow approximately 185,000 t of wheat for the 2003-2004 crop year.

According to Canadian Wheat Board (CWB) "Grain Matters" the company sells bread that contains Canada Western Red Spring wheat varieties, Teal, Elsa and Barrie. Since 1994, Warburtons has worked with farmers, first in Manitoba and later in Saskatchewan, to source the identity preserved high-quality wheat they need for their bread products. A Warburtons research centre in Brandon, Manitoba tests wheat samples for protein and moisture, test weight, grade and falling number to ensure that the wheat meets their quality specifications. Separate elevator storage and shipment ensure that the Canadian wheat which Warburtons buys is not co-mingled.

The farmers who grow wheat that meets Warburtons' strict requirements are paid a premium, and some of this is captured in the CWB's wheat pool.

Canadian producers must submit samples of wheat produced under contract to Warburton's laboratory in Brandon. It is then called into the elevator system based on the laboratory assessment. While not all wheat is accepted, Warburtons is currently using about 160,000 t or an 86% acceptance rate. Warburtons works with two Canadian grain companies who identity preserve the contracted wheat when it is shipped to the UK.

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CANADA: GRAINS AND OILSEEDS OUTLOOK

June 04, 2004

For 2004-05, grain and oilseed production in Canada is forecast by AAFC to rise to 60.9 million tonnes (Mt), from 59.6 Mt in 2003-04, based on Statistics Canada's March seeding intentions survey and assuming normal precipitation, near-normal yields and abandonment rates. Crop seeding in western Canada is behind normal, with only about 80% seeded as of May 31, due to the near-record cold May and wide spread snow and rains that fell across the major crop producing regions. Some regions in Saskatchewan and Alberta continue to have below normal moisture reserves. It has been assumed that precipitation will be normal for the growing and harvest periods. In eastern Canada, seeding has been delayed by cool, wet conditions which may shift some area out of corn into soybeans.

In western Canada, production is forecast to increase to 45.5 Mt, from 44.1 Mt in 2003-04, and is forecast to be relatively unchanged in eastern Canada, at 15.4 Mt. Total supplies are forecast to increase due to higher production and higher carry-in stocks. Total exports are forecast to increase marginally to about 25 Mt. Total domestic usage and carry-out stocks are forecast to increase. It has been assumed that the Canada/US border will be open to exports of live cattle for 2004-05. Prices in Canada are expected to be pressured by the strong Canadian dollar. The average prices for wheat, barley, corn and oats are forecast to increase while prices for durum, canola, flaxseed and soybean decline. The major factors to watch for 2004-05 are growing conditions in the major grain trading regions, import demand from China and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2004-05, production is forecast to decline marginally, with slightly higher production in western Canada offset by sharply lower Ontario production. Supplies are expected to be relatively unchanged, at 23.2 Mt, vs. the 10-year average of 25.4 Mt. Domestic use is projected to increase slightly, due to greater feed use, assuming a return to a normal grade distribution. Exports are forecast to fall marginally, to 12.2 Mt, with higher western exports offset by lower exports from Ontario. Carry-out stocks are forecast to fall by 5%, to 4.0 Mt, well below the 10-year average of 5.3 Mt. The Canadian Wheat Board (CWB) May 2004-05 Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$213/t, in-store Vancouver/St. Lawrence, \$5/t above 2003-04. Ontario winter wheat production is forecast to fall by more than 25%, due to a lower seeded area and yields. Ontario wheat exports are projected to fall to about 0.7 Mt, from a record 1.3 Mt in 2003-04, due to the lower production.

DURUM

Production is forecast to increase by 15% due to higher expected yields resulting from much-improved moisture conditions in most of the durum growing region. This will be compounded by a 17% increase in carry-in stocks, and supplies are forecast to rise by 16%, to 6.8 Mt, vs. the 10-year average of 6.3 Mt. Exports, however, are expected to remain historically low at 3.2 Mt, due to weak world demand for durum wheat, largely resulting from good crops in the EU and North Africa. Carry-out stocks are projected to increase by 42%, to 2.7 Mt, vs. the 10-year average of 1.7 Mt. Due to a lack of export demand, the CWB will likely have to restrict durum deliveries, and farm-held stocks are forecast to rise by more than 60%, to 1.3 Mt, the highest in over 25 years. The CWB PRO for No.1 CWAD 11.5% protein is \$197/t I/S VC/SL, \$29/t below 2003-04. No.1 CWAD 11.5% is forecast to be at a \$16/t discount to No.1 CWRS 11.5%, the first discount since 1990-91 vs. an \$18/t premium for 2003-04.

BARLEY

Production is forecast to increase marginally from 2003-04 due to higher yields. Supplies are expected to rise by 7% due mainly to higher carry-in stocks. Exports of malting barley are expected to increase as import demand in China recovers to a more normal level. Feed barley exports are forecast to fall due to increased competition from the EU and the Black Sea regions. Feed use is expected to rise due to higher barley supplies in western Canada and increased shipments to eastern Canada. Carry-out stocks are forecast to increase. Off-Board feed barley prices are expected to increase slightly due to higher US corn prices. The CWB May 2004-05 PRO for No.1 CW Feed Barley is \$136/t vs \$164/t for 2003-04. The PRO for Special Select Two Row designated barley is \$190/t vs \$200/t for 2003-04, largely due to increased supplies in Europe.

OATS

Production is forecast to decrease marginally as lower harvested area more than offset higher yields. Supplies, however, are expected to increase by 7% due to higher carry-in stocks. Exports, mainly to the US, are expected to increase significantly due to larger supplies and stronger import demand. Carry-out stocks are expected to rise. Prices are forecast to increase due to higher US corn prices. The price of oats is expected to be comparable to corn on a per tonne basis.

CORN

Production is forecast to decrease due to lower area seeded and yields in eastern Canada. Corn imports are expected to increase from 2003-04 as higher imports into eastern Canada, due to lower domestic supplies, are expected to more than offset lower imports into western Canada. The feed use of corn is forecast to decline as barley replaces some of the corn fed in western Canada. Chatham corn prices are forecast to increase by about \$10/t due to higher US corn prices and lower production in Canada.

CANOLA

Production is expected to rise by 5% due to a rise in harvested area, which more than offsets lower yields. Supplies are forecast to increase by only 2% due to the drop in carry-in stocks. Domestic crush is forecast to remain stable at a near record high while exports increase slightly. Carry-out stocks are forecast to remain unchanged from 2003-04. Canola prices are expected to decline due to higher world canola/rapeseed production and lower prices for US soyoil and world veg-oils.

FLAXSEED (excluding solin)

Production is expected to increase by 26%, because of higher harvested area and yields. Due to a decline in carry-in stocks, supplies are forecast to rise by only 18%. Exports are forecast to remain stable while domestic use declines because of limited crush capacity. Carry-out stocks are expected to increase significantly which will pressure Canadian and world prices.

SOYBEANS

Production is forecast to increase by 28% to a record high due to higher harvested area and a return to normal yields. However, supplies are forecast to rise by only 16%, due to an almost 30% drop in imports. Domestic crush is expected to increase by 9% to a near-record high while exports rise by 25%. Prices are forecast to decrease significantly because of lower US soybean and soyoil prices.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

June 4, 2004

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use (e)	Feed, Waste & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (f) \$/t
----- thousand metric tonnes-----											
Durum											
2002-2003	2,246	1.73	3,877	6	5,427	2,968	276	328	841	1,619	271.23
2003-2004f	2,459	1.74	4,280	1	5,899	3,200	260	309	799	1,900	226 *
2004-2005f	2,410	2.04	4,925	1	6,826	3,200	260	466	926	2,700	197 *
Wheat Except Durum											
2002-2003	6,590	1.87	12,321	173	17,678	6,223	2,796	3,738	7,348	4,107	241.00
2003-2004f	8,009	2.41	19,272	18	23,397	12,300	2,675	3,422	6,897	4,200	208 *
2004-2005f	7,870	2.41	18,975	20	23,195	12,200	2,675	3,485	6,995	4,000	213 *
All Wheat											
2002-2003	8,836	1.83	16,198	178	23,105	9,191	3,073	4,066	8,189	5,725	
2003-2004f	10,467	2.25	23,552	19	29,296	15,500	2,935	3,731	7,696	6,100	
2004-2005f	10,280	2.32	23,900	21	30,021	15,400	2,935	3,951	7,921	6,700	
Barley											
2002-2003	3,348	2.24	7,489	259	9,796	945	175	6,755	7,376	1,475	171.88
2003-2004f	4,446	2.77	12,328	45	13,847	2,400	320	8,407	9,147	2,300	130-150
2004-2005f	4,200	2.95	12,400	40	14,740	2,300	375	9,010	9,840	2,600	130-160
Corn											
2002-2003	1,283	7.01	8,999	3,904	13,958	308	2,385	10,121	12,540	1,111	145.34
2003-2004f	1,226	7.82	9,587	2,300	12,998	300	2,550	9,113	11,698	1,000	130-150
2004-2005f	1,280	7.27	9,300	2,400	12,700	200	2,650	8,815	11,500	1,000	135-165
Oats											
2002-2003	1,379	2.11	2,911	21	3,294	1,190	132	1,255	1,580	524	193.91
2003-2004f	1,575	2.34	3,691	20	4,235	1,350	170	1,690	2,035	850	130-150
2004-2005f	1,470	2.50	3,675	20	4,545	1,500	170	1,725	2,095	950	135-165
Rye											
2002-2003	77	1.74	134	2	185	52	38	43	103	30	
2003-2004f	147	2.22	327	1	358	50	47	193	258	50	
2004-2005f	160	2.16	345	2	397	80	48	192	257	60	
Mixed Grains											
2002-2003	132	2.72	359	0	359	0	0	359	359	0	
2003-2004f	135	2.84	384	0	384	0	0	384	384	0	
2004-2005f	135	2.85	385	0	385	0	0	385	385	0	
Total Coarse Grains											
2002-2003	6,218	3.20	19,892	4,185	27,592	2,495	2,730	18,532	21,958	3,139	
2003-2004f	7,529	3.50	26,317	2,366	31,822	4,100	3,087	19,787	23,522	4,200	
2004-2005f	7,245	3.60	26,105	2,462	32,767	4,080	3,243	20,127	24,077	4,610	
Canola											
2002-2003	3,262	1.28	4,178	239	5,667	2,394	2,225	114	2,378	894	415.09
2003-2004f	4,689	1.42	6,669	225	7,788	3,500	3,200	343	3,588	700	380-410
2004-2005f	5,102	1.37	7,000	215	7,915	3,600	3,200	370	3,615	700	360-400
Flaxseed											
2002-2003	633	1.07	679	27	892	577	n/a	n/a	186	128	401.97
2003-2004f	728	1.04	754	20	903	600	n/a	n/a	203	100	365-395
2004-2005f	771	1.23	950	20	1,070	600	n/a	n/a	170	300	330-370
Soybeans ^{1/}											
2002-2003	1,024	2.28	2,336	651	3,159	722	1,763	419	2,291	145	307.55
2003-2004f	1,047	2.17	2,268	500	2,913	800	1,600	288	1,988	125	405-435
2004-2005f	1,172	2.48	2,905	350	3,380	1,000	1,750	405	2,255	125	330-370
Total Oilseeds											
2002-2003	4,919	1.46	7,193	917	9,717	3,694	n/a	n/a	4,856	1,168	
2003-2004f	6,464	1.50	9,692	745	11,604	4,900	n/a	n/a	5,779	925	
2004-2005f	7,045	1.54	10,855	585	12,365	5,200	n/a	n/a	6,040	1,125	
Total Grains And Oilseeds											
2002-2003	19,973	2.17	43,282	5,280	60,414	15,380	n/a	n/a	35,002	10,032	
2003-2004f	24,461	2.43	59,561	3,130	72,723	24,500	n/a	n/a	36,998	11,225	
2004-2005f	24,570	2.48	60,860	3,068	75,153	24,680	n/a	n/a	38,038	12,435	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No. 1 CWSR 11.5% protein and No. 1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver),

Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No. 2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures);

Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* May 2004 CWB Pool Return Outlook (PRO)

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

f. Agriculture and Agri-Food Canada forecast, June 4, 2004

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

June 4, 2004

Area seeded to pulse and special crops for 2004-05 in Canada is forecast to increase by 4%, as higher seeded areas for dry peas, lentils, canary seed, chick peas and buckwheat more than offset lower areas for dry beans, mustard seed and sunflower seed. Statistics Canada's (STC) seeding intentions survey, conducted during March 24-31 and released on April 23, provided forecasts of areas seeded for most of the pulse and special crops by province but, in some cases, the area seeded has been forecast by AAFC. The actual seeded areas may differ from the intentions due to changes in market outlook, expected prices, producer reaction to the STC seeding intentions report and, especially, weather conditions at seeding time. The STC seeded area estimates will be released on June 29. Seeding was later than normal and later than in 2003-04, but it is mostly complete, with the exception of dry beans and buckwheat. Seeding of dry beans was delayed by wet weather in Manitoba and Ontario, while seeding of buckwheat is normally late. It is assumed that precipitation will be normal for the growing and harvest periods. Although, soil moisture reserves improved during May for parts of Saskatchewan and Alberta, many areas continue to have below normal moisture reserves. Therefore, yields in these provinces are forecast to be below trend. For the other provinces, trend yields are forecast. It has been assumed that abandonment and average quality will be normal.

For 2004-05, total pulse and special crops production is forecast to increase by 13%, from 2003-04, to 4.16 million tonnes (Mt). Total supply is expected to increase by only 7% to 4.71 Mt, because of lower carry-in stocks. Although exports and domestic use are forecast to increase due to the higher supply and strong demand, carry-out stocks are also expected to increase. Average prices, over all grades and markets, are forecast to increase from 2003-04 for dry beans, chick peas and sunflower seed, decrease for dry peas, lentils, mustard seed and canary seed, and be the same for buckwheat. However, due to low world carry-in stocks, prices are expected to be very sensitive to any production problems. The main factors to watch will be precipitation during the growing and harvest periods in Canada, exchange rates, and growing conditions in the major producing countries, especially the US, Australia, India, France and Turkey.

DRY PEAS

For 2004-05, production and supply are forecast to increase, due to a 4% increase in seeded area and higher yields. Production is expected to increase for yellow, green and other types. World supply is forecast to increase by 3% to 11.7 Mt, mainly because of higher production in Canada, EU, US and Australia, but this is expected to be mostly offset by increased use in both the feed and food markets. Canadian exports and domestic use are forecast to increase, due to the higher supply and lower prices. Carry-out stocks are forecast to increase with a stocks-to-use (s/u) ratio of 15%. The average price, over all types, grades and markets, is forecast to decrease due to the higher supply.

LENTILS

Production and supply are forecast to increase, due to a 26% increase in seeded area and higher yields. Production is expected to increase for large, medium and small green, red and other types. World supply is expected to increase by 9% to 3.37 Mt, due mainly to higher production in Canada, Australia and India. Canadian exports are expected to increase, as Canada's share of world supply increases. Carry-out stocks are forecast to increase, with a s/u of 13%. The average price, over all types and grades, is forecast to decrease due to the higher supply.

DRY BEANS

Production and supply are forecast to decrease sharply, due to a 9% decrease in seeded area and lower yields. Production is expected to decrease for all classes, including white pea, pinto, black, red kidney, cranberry, Great Northern, small red and pink. Exports are forecast to decrease, due to lower supply, and carry-out stocks are expected to decrease to a low level. US

production and supply are also expected to decrease due to a forecast 5% decrease in seeded area and lower carry-in stocks. Total US and Canadian supply of all major classes of dry beans is forecast to fall. The average price, over all classes and grades, is forecast to rise sharply due to lower supply.

CHICK PEAS

Production is forecast to increase marginally, due to a 4% increase in seeded area. Production is expected to increase for the large kabuli type, but decrease for the desi and small kabuli types. However, supply is forecast to decrease for all types due to lower carry-in stocks. World supply is expected to decrease by 5% to 8.2 Mt. Canadian exports are forecast to decrease due to lower supply. Carry-out stocks are forecast to decrease to a low level. The average price, over all types, sizes and grades, is forecast to increase due to the lower supply.

MUSTARD SEED

Production is forecast to decrease due to a 16% decrease in seeded area. Production is expected to decrease for the brown and yellow types, but increase moderately for the oriental type. However, supply is forecast to increase due to higher carry-in stocks. Exports are expected to increase because of stronger demand and lower prices. Carry-out stocks are forecast to increase slightly, with a s/u ratio of 52%. The average price is forecast to increase for the yellow type, but decrease for the brown and oriental types. The average price, over all types and grades, is forecast to decrease slightly.

CANARY SEED

Production and supply are forecast to increase, due to a 6% increase in seeded area and higher carry-in stocks. World

supply is forecast to increase by 11% to 315,000 t. Canadian exports are expected to increase, because of higher supply. Carry-out stocks are forecast to increase, with a stocks-to-use ratio of 29%. The average price is forecast to decrease because of the higher supply.

SUNFLOWER SEED

Production and supply are forecast to fall, due to a 24% decrease in seeded area. Production is expected to decrease for both types, confectionary and oilseed. In the US, seeded area, production and supply are also forecast to decrease for both types. World supply is expected to increase marginally to 27.1 Mt. Canadian exports and domestic use are expected to remain stable, causing carry-out stocks to decrease to a low level. The average price, over both types and all grades, is forecast to increase due to the lower supply in Canada and the US.

BUCKWHEAT

Production is forecast to increase, due to an increase in seeded area, while supply decreases due to lower carry-in stocks. World supply is forecast to increase slightly to 2.2 Mt. Canadian exports are forecast to remain stable, while carry-out stocks decrease to a negligible level. The average price, over all grades and markets, is forecast to be the same as in 2003-04, as lower Canadian supply offset pressure from higher world supply.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

June 4, 2004

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----									
Dry Peas									
2000-2001	1,220	2.35	2,864	12	3,276	2,196	885	195	138
2001-2002	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004f	1,271	1.67	2,124	25	2,459	1,380	879	200	165-185
2004-2005f	1,325	1.90	2,520	25	2,745	1,450	945	350	140-170
Lentils									
2000-2001	688	1.33	914	5	999	475	268	256	295
2001-2002	664	0.85	566	6	828	478	219	131	320
2002-2003	387	0.91	354	9	494	320	119	55	390
2003-2004f	536	0.97	520	5	580	430	135	15	410-430
2004-2005f	680	1.03	700	5	720	490	150	80	350-380
Dry Beans									
2000-2001	162	1.65	268	40	348	227	71	50	465
2001-2002	175	1.70	298	42	390	263	96	31	725
2002-2003	219	1.89	414	40	485	297	118	70	445
2003-2004f	167	2.14	357	40	467	340	82	45	485-505
2004-2005f	150	1.90	285	40	370	280	80	10	550-580
Chick Peas									
2000-2001	283	1.37	388	5	408	179	199	30	410
2001-2002	467	0.97	455	12	497	147	210	140	380
2002-2003	154	1.01	156	9	305	104	141	60	300
2003-2004f	63	1.08	68	8	136	75	41	20	315-335
2004-2005f	64	1.09	70	12	102	50	42	10	330-360
Mustard Seed									
2000-2001	208	0.97	202	1	318	151	62	105	280
2001-2002	158	0.66	105	3	213	171	9	33	685
2002-2003	255	0.60	154	9	196	114	22	60	595
2003-2004f	328	0.69	226	2	288	150	38	100	380-400
2004-2005f	280	0.73	205	2	307	160	42	105	370-400
Canary Seed									
2000-2001	164	1.04	171	0	261	170	21	70	265
2001-2002	163	0.70	114	0	184	134	20	30	660
2002-2003	227	0.78	176	0	206	164	22	20	575
2003-2004f	243	0.91	220	0	240	170	30	40	340-360
2004-2005f	260	0.88	230	0	270	175	35	60	295-325
Sunflower Seed									
2000-2001	69	1.72	119	18	178	77	55	46	320
2001-2002	67	1.55	104	29	179	92	65	22	355
2002-2003	95	1.65	157	21	200	105	60	35	440
2003-2004f	115	1.30	150	20	205	110	65	30	385-405
2004-2005f	85	1.59	135	20	185	110	65	10	410-440
Buckwheat									
2000-2001	15	0.93	14	1	16	9	7	0	305
2001-2002	14	1.14	16	1	17	6	8	3	325
2002-2003	12	1.00	12	1	16	6	7	3	340
2003-2004f	9	1.11	10	1	14	6	7	1	345-365
2004-2005f	10	1.10	11	1	13	6	7	0	340-370
Total Pulse And Special Crops (c)									
2000-2001	2,809	1.76	4,940	82	5,804	3,484	1,568	752	
2001-2002	2,993	1.23	3,681	120	4,553	2,672	1,216	665	
2002-2003	2,399	1.16	2,788	130	3,583	1,738	1,232	613	
2003-2004f	2,732	1.35	3,675	101	4,389	2,661	1,277	451	
2004-2005f	2,854	1.46	4,156	105	4,712	2,721	1,366	625	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f. forecast, Agriculture and Agri-Food Canada, June 4, 2004

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

May 31, 2004

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	May 31, 2004	FOB	201.00	N/A	171.00	208.00		472.50	267.00	142.00		900.00	520.00					500.00
BC (4) (7)	May 25, 2004		201.00	N/A	171.00	212.75		469.00	257.75	143.00		900.00	520.00					500.00
Calgary	May 31, 2004	FOB	170.00	N/A	147.00	203.00		466.50			225.00	950.00	555.00					480.00
AB (4)	May 25, 2004		170.00	N/A	147.00	200.00		466.50			225.00	950.00	555.00					480.00
Saskatoon	May 31, 2004	FOB	171.50	152.50	132.00	188.00		467.00	N/A		240.00	N/A	595.00			200.00		510.00
SK (4)	May 25, 2004		166.50	150.00	131.00	185.00		467.00	N/A		240.00	N/A	595.00			201.00		510.00
Melfort	May 31, 2004	FOB																
SK	May 25, 2004																	
Winnipeg	May 31, 2004	FOB	167.50	140.00	131.00	182.00		447.50	N/A		290.00	970.00	540.00					470.00
MB (4) (9)	May 25, 2004		167.50	140.00	131.00	178.00		447.50	N/A		290.00	970.00	540.00					470.00
Thunder Bay	May 31, 2004	In-Store	199.50	N/A	150.30													
ON (8)	May 25, 2004		200.00	N/A	149.50													
Lake Ports	May 31, 2004	On Board				167.76												
USA (3)	May 25, 2004	Vessel				164.33												
Bay Ports	May 31, 2004	In-Store	222.00	230.00	170.00													
ON	May 25, 2004		222.00	230.00	165.00													
Chatham	May 31, 2004	Track				167.71												
ON	May 25, 2004					161.41												
Toronto	May 31, 2004	N/A																
ON (5)	May 25, 2004																	
Hamilton	May 31, 2004	N/A									336.00	N/A	470.00		133.00			670.00
ON	May 25, 2004										342.00	N/A	470.00		133.00			670.00
Eastern	May 31, 2004	FOB				161.50		402.12	184.80									
ON	May 25, 2004					166.13		440.70	209.80									
London	May 31, 2004	FOB																
ON	May 25, 2004																	
Port Colborne	May 31, 2004	FOB																
ON	May 25, 2004																	
Cardinal	May 31, 2004	FOB																
ON	May 25, 2004																	
Montreal	May 31, 2004		216.00	165.00	179.00	172.00		421.96	221.40	145.00	336.00	850.00	480.00		133.00			575.00
QC (5)	May 25, 2004		216.00	168.00	165.00	170.00		485.09	252.15	144.00	342.00	850.00	474.00		133.00			575.00
Trois-Rivières	May 31, 2004	In-Store	214.50		185.60	190.54												
QC	May 25, 2004		221.00		184.00	187.39												
St. Jean QC (2)	May 31, 2004	FOB	200.09	144.92	165.80	166.97		419.38										
St. Hyacinthe QC	May 25, 2004		198.51	147.01	166.11	164.40		425.38										
Quebec	May 31, 2004	In-Store	212.50	N/A	201.92	183.62		417.18										
QC	May 25, 2004		214.67	N/A	201.58	181.83		469.55										
Truro	May 31, 2004	Track	244.66	230.00	222.04	212.07		485.90	323.16		370.50		505.00					575.00
NS	May 25, 2004		238.41	230.00	216.24	205.78		519.75	369.28		363.00		495.00					575.00
Truro	May 31, 2004	Water	N/A	N/A	N/A	N/A												
NS	May 25, 2004	& Truck	N/A	N/A	N/A	198.38		539.18										
Halifax	May 31, 2004	In-Store	N/A	N/A	N/A													
NS (6)	May 25, 2004		N/A	N/A	N/A	197.15		549.48										

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: Corinne Bruneau Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: bruneauc@agr.gc.ca
 US\$1.00=CAN\$1.3658, closing date May 28, 2004
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWR5 (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3C/W

B. CASH PRICES AND REPLACEMENT VALUES

May 31, 2004

PRAIRIE GRAINS

Selected Points	Price Basis		This week 31-May-04	Last week 17-May-04	Month ago 3-May-04	Year ago 2-Jun-03
From: Thunder Bay(WCE) (2)	In-Store	Wheat	188.00	187.00	180.00	146.50
(CBOT)		Oat	147.75	151.50	180.00	147.75
(Lethbridge)		Barley	158.00	151.00	154.00	151.00
To: Bayport, ON (1)	In-store	Wheat	211.61	210.61	203.61	170.11
		Oat	N/A	N/A	N/A	N/A
		Barley	185.39	178.39	181.39	178.39
Montreal, QC (1)	In-store	Wheat	216.03	215.03	208.03	174.53
		Oat	N/A	N/A	N/A	N/A
		Barley	190.31	183.31	186.31	183.31
Moncton, NB	Truck via Halifax	Wheat	238.25	237.25	230.25	196.75
		Oat	N/A	N/A	N/A	N/A
		Barley	214.50	207.50	210.50	207.50
Truro, NS	Truck via Halifax	Wheat	232.22	231.22	224.22	190.72
		Oat	N/A	N/A	N/A	N/A
		Barley	212.00	205.00	208.00	205.00
Halifax, NS (1)	In-store	Wheat	223.28	222.28	215.28	181.78
		Oat	N/A	N/A	N/A	N/A
		Barley	198.30	191.30	194.30	191.30
Stephenville, NL	Track / Truck via Sydney	Wheat	286.63	285.63	278.63	245.13
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 31-May-04	Last week 17-May-04	Month ago 3-May-04	Year ago 2-Jun-03
Corn						
From: US Lake Port	On Board Vessel		167.76	164.33	174.55	143.68
To: Montreal, QC (1)	In-store		186.80	183.37	193.59	162.72
From: Chicago (Mi)	Track		160.77	157.30	160.92	135.05
To: Montreal, QC	Track		189.63	186.16	189.78	163.91
From: Chatham, ON	Track		167.71	161.41	167.71	156.00
To: Montreal, QC	Track		191.58	185.28	191.58	179.80

Soymeal 48% Protein

From: Hamilton, ON			402.12	440.70	508.16	322.53
To: Montreal, QC	Track		426.45	465.03	532.49	346.86
Moncton, NB	Track		445.20	483.78	551.24	365.61
Truro, NS	Track		448.42	487.00	554.46	368.83
Stephenville, NL	Track / Truck via Sydney		497.05	535.63	603.09	417.46

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



Bi-weekly Bulletin

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FRANCE

France is the largest producer of soft wheat and second largest producer of durum wheat in the European Union (EU). France's food processing sector is also the largest in the EU and second to that of the United States (U.S.). The agriculture and agri-food sector rates as the most important in France's economy, well ahead of the automobile sector, and the electronics and electrical industries. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for France's agriculture and agri-food sector.

BACKGROUND

France is a major player in world grain production, and the major crops are wheat, durum, barley and corn. The agricultural sector provides employment for about 2 million people but the number of people directly involved in farming has been in steady decline in recent decades.

France has about 30 million hectares (Mha) of agricultural land suitable for growing field crops and forages, and raising livestock. Agricultural production is concentrated in the northern and western regions which have the largest and most productive farms. Except for certain oilseeds and protein meals, France is essentially self-sufficient in cereals and oilseeds.

France's average farm size is 42 ha, which is more than twice the size of average farm holdings in the EU. About 10% of France's farms are more than 100 ha and account for over 40% of France's total farm holdings.

In France, the amount of land seeded to cereal crops has increased marginally over the past couple of decades and now averages 9 Mha. Seeded area for oilseeds and other protein crops, on the other hand, has increased tenfold during the same period and is now estimated at 2.5 Mha.

The value of annual agricultural production in France is estimated at €63 billion (G), accounting for 2.3% of its Gross Domestic Product (GDP). During the past couple of decades, there has been a steady decline in agriculture's share of GDP as farm prices failed to keep pace with prices in general.

Flour Milling

France grows primarily soft winter wheat, of which about 20% is used for milling. The wheat milling industry accounts for about 4%, or €5G, of France's €130G food processing sector. The single largest market for French export flour is other EU countries, accounting for 250,000 t, or about 20%, of total exports. The other major export markets for French flour are Cuba, Sudan, and Mauritania, accounting for about 11% of total exports.

A concern for the milling industry is the recent slump in flour exports. Some of the traditional importers such as Egypt and Yemen have built milling facilities and now import grain instead of flour. In response to reduced exports, the domestic milling industry has reduced capacity by about 1.5 million tonnes (Mt) since 2001.

Feed Processing

The animal feed processing sector has grown steadily since the Common Agricultural Policy (CAP) reform of 1992. As a result of lower grain prices, in part due to CAP reform, the feed processing sector is now valued at about €10G annually. The Syndicat national des Industriels de la nutrition Animale (SNIA) reports that there are about 350 feed enterprises in France, producing about 21.0 Mt of animal feed annually. Of the cereals used in animal feed rations, wheat is the main ingredient at 28%, followed by corn at 16%. SNIA further reports that 42% of the feed produced is used for poultry, 30% for hogs, and 19% for cattle.

EU Common Agricultural Policy

France's agricultural sector has been strongly influenced by the CAP which has been in place since the 1960s. Among EU members, France continues to maintain its uniqueness on several fronts, including the following: (a) the sheer amount of land available for farming; (b) the diversity of agricultural production made possible by the range of climate and soil types; and, (c) the tropical products available from its various overseas holdings and territories.

Despite its vast land holdings, France had not been able to meet its domestic food needs prior to joining the European common market. Up to that point, the productivity of its agricultural sector lagged that of the U.S., which motivated a younger generation of French farmers to pressure government to institute policies that would modernize farming. An important component of that modernization strategy was encouraging older farmers to retire earlier than planned and then managing the distribution of the land that became available with those retirements.

The changes that followed with the creation of a European common market, otherwise referred to as the EU, were substantive. The EU's CAP provided for the protection of France's domestic market, and the market intervention mechanisms effectively regulated prices for its agricultural commodities. The result was higher prices, and with that came increased investment in farms. Earlier concerns that the creation of the common market would increase competition between EU members were muted by significant expansion in domestic



markets, followed by steady expansion into international markets.

During the 1980s, the situation changed considerably for EU member countries such as France. The market for agricultural commodities became more saturated and the EU's CAP faced serious budgetary constraints. Farm incomes fell significantly and the crises that affected intensive crop and livestock sectors revealed the financial vulnerability of many farms. This prompted reforms to the CAP and some price supports were replaced with fixed aid as a stop-gap measure. The EU, however, continues to look for longer-term solutions to low commodity prices.

The CAP faces the growing pressures of globalization as the EU engages in various multilateral and bilateral trade negotiations. The EU is also forced to deal with the concerns of domestic consumers who are now focussed on quality and environmental aspects of food production more than on the difficulties associated with fluctuating food supplies and prices that had provided the original impetus for the establishment of a common market for European countries.

As a full member of the EU, France conforms to, and benefits from, the CAP. It is the area set-asides, price supports, intervention stocks, and export controls that have helped shape French agriculture over the past few decades. The existence of the CAP, however, does not preclude the French lobby groups from influencing decisions with respect to the CAP, or any other policy affecting the agricultural sector. These groups continue to actively lobby the Ministry of Agriculture, which is responsible for domestic policy, and the EU to ensure their interests are considered in policy decisions affecting their sector.

CAP Reform

Over the years the EU moved progressively away from direct commodity support to area payments for cereals (i.e. in the 1990's) and reduced support (intervention prices) to levels generally below world levels. The 2003 CAP Reform Agreement takes this a step further by saying that as of 2005 or 2006, depending on the country, payments will now be largely "whole farm" (commodity neutral) payments. What farmers choose to produce should be somewhat more responsive to market signals. Total farm support is capped through to 2011. France has chosen to base its single farm payment on an individual farmer's experience in the base period, rather than adopting an area average approach as some countries have

done. The situation for durum will be quite complex because CAP reform reserves the right of durum producers in the southern areas to get an extra "quality premium." It's not clear yet how that particular direct aid will relate to the single farm payment. Germany, the UK, Sweden and the Netherlands pressed the EU to reduce spending before the recent entry of 10 new countries into the EU. France, which is the main beneficiary of the CAP (capturing nearly one-quarter of the EU's €40.5G budget in 2001), has resisted proposed changes to the CAP which would see the link between money paid to farmers and production severed. Under the proposals, direct payments would be capped at €300,000 per farm and farmers would be given incentives to improve quality and to protect the environment. As well, direct aid payments would be reduced by 3% per year for a total reduction of 20% by 2010-2011. Opponents of these proposals, including France and Ireland, argue that the changes would make them uncompetitive in world markets, especially in relation to the U.S. which has increased subsidies considerably in its latest farm bill.

The Doha Round and the French Economy

A 2003 study commissioned by the Groupe d'Economie Mondiale de Sciences Politiques looked at the effects of agricultural liberalization on the French economy. The study specifically looked at liberalization in the context of the Doha Round of World Trade Organization (WTO) negotiations. The study took into account China's accession to the WTO, Agenda 2000 reforms to the CAP, EU

enlargement, and recent EU trade agreements. With those considerations in mind, researchers concluded that trade liberalization would increase France's national income by about €\$18G annually.

In assessing the effect of trade liberalization on the agricultural sector, the study focussed on two scenarios. The first was a partial liberalization scenario whereby primary agricultural tariffs and export

FRANCE: WHEAT SUPPLY AND DISPOSITION

<i>July-June crop year</i>	2001 -2002	2002 -2003	2003 -2004	2004 -2005f
Harvested Area (kha)	4.46	4.90	4.56	4.90
Yield (t/ha)	6.77	7.62	6.37	7.67
.....million tonnes.....				
Carry-in Stocks	3.39	3.07	4.02	2.29
Production	30.23	37.32	29.06	37.60
Imports	<u>0.32</u>	<u>0.29</u>	<u>0.20</u>	<u>0.20</u>
Total Supply	33.94	40.68	33.28	40.09
Human Food & Indus. Use	7.27	7.37	7.37	7.40
Seed	0.42	0.42	0.42	0.42
Sales (Intra-EU) ^{1/}	7.54	7.27	8.59	7.50
Exports ^{2/}				
<i>Grain</i>	3.99	8.85	3.29	8.80
<i>Product</i>	<u>0.69</u>	<u>0.78</u>	<u>0.70</u>	<u>0.70</u>
Total Exports	4.68	9.63	3.99	9.50
Feed, Waste, Dockage ^{3/}	<u>10.97</u>	<u>11.97</u>	<u>10.62</u>	<u>11.27</u>
Total Use	30.87	36.66	30.99	36.09
Carry-out Stocks	3.07	4.02	2.29	4.00

FRANCE: DURUM SUPPLY AND DISPOSITION

<i>July-June crop year</i>	2001 -2002	2002 -2003	2003 -2004	2004 -2005f
Harvested Area (kha)	0.31	0.34	0.35	0.37
Yield (t/ha)	4.38	4.80	3.95	5.14
.....million tonnes.....				
Carry-in Stocks	0.105	0.106	0.135	0.096
Production	1.343	1.557	1.388	1.900
Imports	<u>0.223</u>	<u>0.076</u>	<u>0.175</u>	<u>0.100</u>
Total Supply	1.671	1.739	1.698	2.000
Human Use	0.552	0.480	0.480	0.480
Seed	0.050	0.055	0.055	0.055
Sales (Intra-EU)	0.781	0.763	0.700	0.900
Exports ^{2/}				
<i>Grain</i>	0.014	0.092	0.150	0.150
<i>Product</i>	<u>0.070</u>	<u>0.112</u>	<u>0.110</u>	<u>0.110</u>
Total Exports	0.084	0.204	0.260	0.260
Feed, Waste, Dockage ^{4/}	<u>0.098</u>	<u>0.102</u>	<u>0.107</u>	<u>0.155</u>
Total Use	1.565	1.604	1.602	1.850
Carry-out Stocks	0.106	0.135	0.096	0.150

^{1/} includes product

^{2/} includes food aid and other deliveries

^{3/} includes grain used on-farm and grain further processed into animal feed

^{4/} includes grain used on-farm

f: forecast, AAFC, IGC

Source: Office National Interprofessionnel des Céréales (ONIC)

subsidies, and OECD-defined domestic support for agriculture were reduced by 50%. The second was a full elimination of trade barriers related to agriculture. For both scenarios, the study concluded that protecting France's cereal and cattle producers was essentially accomplished at the expense of processed food, horticulture, and intensive livestock producers. France produces roughly twice as much in cereal grains as it consumes and trade liberalization is expected to result in a reduction in cereal production.

SITUATION 2003-2004

Wheat, durum, corn, barley, and rapeseed account for over 90% of France's total grains and oilseed production. Wheat alone accounts for about half of that production, followed by corn which accounts for about one-quarter of the total. The crop mix for France's major grains and oilseeds has remained fairly consistent over the past few years.

France, for the most part, does not compete with Canada in the world market for wheat because France does not generally export the higher quality wheats associated with pan type breadmaking. Most of the varieties grown in France are true winter types, and they are designated as red. The mean protein content of these wheats is about 12%, and it ranges from 10.5% to more than 14%. A large proportion of France's wheat is suitable for blending with other wheats to improve bread baking performance, but much of the wheat is used for hearth and flat breads, cakes, biscuits and other baked products.

France is one of the world's largest exporters of wheat flour, exporting on average 1.0 Mt per year, of which about 25% is sold within the EU. Most of France's flour sales outside the EU are to North Africa, and Egypt is its primary customer.

Wheat (excluding durum)

For 2003-2004, wheat **harvested area** is estimated at 4.6 Mha, down from 4.9 Mha in 2002-2003, due in part to an inordinate amount of winter kill. As well, extremely dry conditions during the growing season reduced **yields**, which are estimated at 6.4 tonnes per hectare (t/ha), down from 7.6 t/ha in 2002-2003. **Production** is estimated at 29.1 Mt, down from 37.3 Mt in 2002-2003. **Exports** (excluding EU intra-trade) are forecast at 4.0 Mt, down from 9.6 Mt, due to lower supplies. Feed use is expected to decrease due to competition from other feed ingredients, especially

barley. **Carry-out stocks** are projected at 2.3 Mt, down from 4.0 Mt, which would be the lowest level in recent years.

Durum

For 2003-2004, durum **harvested area**, estimated at 0.4 Mha, is virtually unchanged from 2002-2003. Drought conditions significantly reduced **yields**, which are estimated at 4.0 t/ha in 2003-2004. As a result, **production** is estimated 1.4 Mt, down from 1.6 Mt in 2002-2003, and **carry-out stocks** are forecast at 0.1 Mt.

Corn

For 2003-2004, corn **harvested area** is estimated at 1.6 Mha, down from 1.8 Mha in 2002-2003, due to a shift out of corn area into barley area. Corn **yields** for 2003-2004, estimated at 7.2 t/ha, decreased about 20% due to extremely dry growing conditions.

Production is estimated at 11.7 Mt, down from 16.1 Mt in 2002-2003. **Exports** are estimated at 0.8 Mt, down from 1.0 Mt, and feed use is expected to decrease due to lower available supplies. **Carry-out stocks** are estimated at 1.9 Mt, down from 2.5 Mt in 2002-2003, and are at the lowest level in recent years.

Barley

For 2003-2004, barley **harvested area** is estimated at 1.8 Mha, up from 1.6 Mha in 2002-2003. Barley **yields**, estimated at 5.7 t/ha for 2003-2004, were reduced by about 15% due to poor growing conditions. Lower yields more than offset increased area, resulting in a 9% decrease in **production**, estimated at 10.0 Mt. Due to the smaller crop, **exports** are estimated at 2.2 Mt, down from 2.9 Mt in

2002-2003. **Feed use** is expected to increase because of the improved price competitiveness of barley which is replacing wheat in the formulation of poultry feed. **Carry-out stocks** are estimated at 1.2 Mt, down from 1.8 Mt in 2002-2003.

Rapeseed

For 2003-2004, rapeseed **harvested area** increased marginally to 1.1 Mha. However, drought conditions affected **yields**, more than offsetting the small increase in

FRANCE: CORN SUPPLY AND DISPOSITION

July-June crop year	2001 -2002	2002 -2003	2003 -2004	2004 -2005f
Harvested Area (kha)	1.91	1.79	1.64	1.75
Yield (t/ha)	8.61	8.98	7.16	9.14
.....million tonnes.....				
Carry-in Stocks	2.49	2.43	2.49	1.90
Production	16.48	16.10	11.70	16.00
Imports	0.29	0.19	0.20	0.20
Total Supply	19.26	18.71	14.39	18.10
Human Food & Indus. Use	0.75	0.72	0.76	0.75
Seed	0.11	0.11	0.11	0.11
Sales (Intra-EU) ^{1/}	8.63	8.41	6.04	8.50
Exports ^{2/}				
Grain	0.16	0.26	0.12	0.20
Product	0.77	0.75	0.72	0.80
Total Exports	0.93	1.01	0.84	1.00
Feed, Waste, Dockage ^{3/}	6.41	5.99	4.74	4.99
Total Use	16.83	16.23	12.49	15.35
Carry-out Stocks	2.43	2.49	1.90	2.75

FRANCE: BARLEY SUPPLY AND DISPOSITION

July-June crop year	2001 -2002	2002 -2003	2003 -2004	2004 -2005f
Harvested Area (kha)	1.71	1.64	1.75	1.60
Yield (t/ha)	5.75	6.69	5.69	6.25
.....million tonnes.....				
Carry-in Stocks	1.67	1.57	1.80	1.21
Production	9.81	10.99	9.95	11.00
Imports	0.03	0.03	0.03	0.03
Total Supply	11.50	12.59	11.78	12.24
Domestic Use	0.19	0.24	0.24	0.24
Seed	0.18	0.18	0.18	0.18
Sales (Intra-EU) ^{1/}	3.73	3.59	3.56	3.70
Exports ^{2/}				
Grain	1.19	2.05	1.37	1.97
Product	0.86	0.83	0.83	0.83
Total Exports	2.05	2.88	2.20	2.80
Feed, Waste, Dockage ^{3/}	3.78	3.90	4.39	3.62
Total Use	9.93	10.78	10.57	10.54
Carry-out Stocks	1.57	1.80	1.21	1.70

^{1/} includes product

^{2/} includes food aid and other deliveries

^{3/} includes grain used on-farm and grain further processed into animal feed

f: forecast, AAFIC, IGC

Source: Office National Interprofessionnel des Céréales (ONIC)

harvested area. As a result, **production** is estimated at 3.3 Mt, down from 3.4 Mt in 2002-2003. Despite the smaller crop, **carry-out stocks** are virtually unchanged at an estimated 0.05 Mt.

Prices for 2003-2004

European agricultural commodity prices strengthened considerably in 2003-2004 due largely to the drought and winter kill which affected yields of the major grains and oilseeds. For example, the average price for soft wheat to-date is €174.15/t (fob France), up from €113.08/t in 2002-2003. Similarly, the average price for rapeseed to-date is €311/t (CIF Hamburg), up from €274/t for the 2002-2003 crop year.

OUTLOOK 2004-2005

Crop prospects for 2004-2005 have improved considerably for French farmers following a year of reduced yields due to poor growing conditions and significant winter kill. Production of the major grains and oilseeds is expected to increase by about 20% due to a combination of higher harvested area and improved yields.

It is not clear yet what effect, if any, EU Enlargement will have on Canadian exports. Eastern European countries such as Poland have a relatively large land base that they can use to increase agricultural production, and they have the potential to make inroads into established markets for grains and oilseeds. The greatest potential, naturally, is for increased sales to member EU countries. In the short term, EU

enlargement is expected to have a minimal effect on Canadian exports of grains and oilseeds, particularly wheat which is globally recognized as a premium product.

Wheat (excluding durum)

For 2004-2005, wheat **harvested area** is expected to return to near normal levels due to reduced winter kill and improved moisture conditions relative to 2003-2004. Harvested area is forecast at 4.9 Mha, up from 4.6 Mha in 2003-2004. With near-trend **yields** expected for 2004-2005, **production** is forecast by the International Grains Council (IGC) at 37.6 Mt, up about 30% from 2003-2004, and the highest level since 1998-99. **Carry-out stocks** are forecast at 4.0 Mt, up from 2.3 Mt in 2003-2004, but below the 5-year average of 4.4 Mt.

Durum

For 2004-2005, durum **harvested area** is forecast at 0.37 Mha, up marginally from 2003-2004. Higher yields are expected and **production** is forecast by IGC to increase by 37%, to 1.9 Mt. **Carry-out stocks** are forecast at 0.15 Mt.

Corn

For 2004-2005, corn **harvested area** is forecast at 1.8 Mha, up from 1.6 Mha in 2003-2004. Assuming near-trend yields, **production** is forecast by IGC at 16.0 Mt, up significantly from 11.7 Mt in 2003-2004 when serious drought conditions affected the size of France's corn crop. **Carry-out stocks** are forecast at 2.75 Mt, versus 1.9 Mt in 2003-2004 and the 5-year average of 2.4 Mt.

Barley

For 2004-2005, barley **harvested area** is forecast at 1.6 Mha, down from 1.8 Mha, due largely to a shift to corn and wheat production. However, with a return to more favourable growing conditions, increased yields are expected to more than offset the effects of lower barley area. As a result, **production** is forecast by IGC at 11.0 Mt, up by 11% from 2003-2004. **Carry-out stocks** are forecast at 1.7 Mt, versus 1.2 Mt in 2003-2004 and the 5-year average of 1.5 Mt.

Rapeseed

For 2004-2005, rapeseed **harvested area** is forecast at 1.1 Mha, unchanged from the previous year. However, with increased yields due to better growing conditions, **production** is forecast at 3.4 Mt, up from 3.3 Mt in 2003-2004. **Carry-out stocks** are expected to remain unchanged at 0.05 Mt.

Prices for 2004-2005

With production of major grains and oilseeds forecast to return to near-normal levels, French prices are expected to be pressured in 2004-2005. Some of the factors that are likely to influence commodity prices during the next crop year are exchange rates, production in the major wheat exporting countries of the world, U.S. corn and South American soybean production, and the activities of major importing countries such as China, Japan, and India.

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FRANCE: RAPESEED SUPPLY AND DISPOSITION

July-June crop year	2001 -2002	2002 -2003	2003 -2004	2004 -2005f
Harvested Area (kha)	1.08	1.03	1.08	1.08
Yield (t/ha)	2.65	3.30	3.08	3.15
.....million tonnes.....				
Carry-in Stocks	0.05	0.03	0.05	0.05
Production	2.87	3.41	3.32	3.40
Total Supply	2.92	3.44	3.37	3.45
Crush	1.27	1.57	1.52	1.61
Feed, Seed & Waste	0.77	0.65	0.78	0.82
Exports	0.85	1.17	1.01	0.98
Total Use	2.89	3.39	3.32	3.40
Carry-out Stocks	0.03	0.05	0.05	0.05

f: forecast, AAFC

Source: Office National Interprofessionnel des Céréales (ONIC)

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS																		
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	June 14, 2004	FOB	201.00	N/A	170.00	204.00		465.50	255.00	145.00		900.00	520.00					500.00
BC (4) (7)	June 7, 2004		201.00	N/A	170.00	205.50		437.50	238.00	146.00		900.00	520.00					500.00
Calgary	June 14, 2004	FOB	175.00	N/A	154.00	204.00		441.50			190.00	950.00	555.00					460.00
AB (4)	June 7, 2004		175.00	N/A	154.00	207.00		446.50			200.00	950.00	555.00					460.00
Saskatoon	June 14, 2004	FOB	170.00	149.00	134.50	190.00		445.00	N/A		210.00	N/A	555.00			193.33		460.00
SK (4)	June 7, 2004		170.00	151.00	134.50	193.00		447.00	N/A		220.00	N/A	555.00			196.00		510.00
Winnipeg	June 14, 2004	FOB	172.50	140.00	133.50	173.00		426.00	N/A		290.00	1000.00	540.00					525.00
MB (4) (9)	June 7, 2004		167.50	140.00	131.00	184.00		427.50	N/A		290.00	1000.00	545.00					525.00
Thunder Bay	June 14, 2004	In-Store	195.00	N/A	148.95													
ON (8)	June 7, 2004		200.50	N/A	151.20													
Lake Ports	June 14, 2004	On Board				157.28												
USA (3)	June 7, 2004	Vessel				167.57												
Bay Ports	June 14, 2004	In-Store	230.00	230.00	180.00													
ON	June 7, 2004		230.00	230.00	180.00													
Chatham	June 14, 2004	Track				164.66												
ON	June 7, 2004					173.42												
Toronto	June 14, 2004	N/A					FOB				320.00	N/A	480.00	540.00	136.00			650.00
ON (5)	June 7, 2004							440.15	232.00		331.00	N/A	480.00	540.00	136.00			660.00
Hamilton	June 14, 2004	N/A						411.93	193.70									
ON	June 7, 2004																	
Eastern	June 14, 2004	FOB				161.00												
ON	June 7, 2004					163.50												
London	June 14, 2004	FOB																
ON	June 7, 2004																	
Port Colborne	June 14, 2004	FOB																
ON	June 7, 2004																	
Cardinal	June 14, 2004	FOB																
ON	June 7, 2004																	
Montreal	June 14, 2004		216.00	160.00	176.90	172.50		444.52	250.58	121.00	320.00	850.00	480.00	540.00	136.00		267.00	550.00
QC (5)	June 7, 2004		216.00	165.00	181.00	175.00	FOB	430.89	230.73	127.33	331.00	850.00	480.00	550.00	136.00		267.00	560.00
Trois-Rivières	June 14, 2004	In-Store	217.00		182.90	181.39												
QC	June 7, 2004		220.00		187.40	192.21												
St. Jean QC (2)	June 14, 2004	FOB	198.01	145.19	169.24	164.14		412.51										
St. Hyacinthe QC	June 7, 2004		201.71	146.33	170.96	168.31		418.17										
Quebec	June 14, 2004	In-Store	217.33	N/A	202.87	178.91		441.20										
QC	June 7, 2004		215.33	N/A	204.27	183.60		426.19										
Truro	June 14, 2004	Track	244.66	230.00	220.84	210.55		468.15	302.99				505.00					550.00
NS	June 7, 2004		244.66	230.00	222.04	213.89	FOB	477.55	323.16				505.00					560.00
Truro	June 14, 2004	Water	N/A	N/A	N/A	N/A												
NS	June 7, 2004	& Truck	N/A	N/A	N/A	N/A												
Halifax	June 14, 2004	In-Store	N/A	N/A	N/A	194.00		481.45		297.50		1,025.00	N/A					
NS (6)	June 7, 2004		N/A	N/A	N/A	204.88		467.80		297.50		1,025.00	N/A					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close US\$1.00=CANS1.3647, closing date June 11, 2004
 Contact: Corinne Bruneau Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: bruneau@agr.gc.ca
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn.
 Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

June 14, 2004

PRAIRIE GRAINS

Selected Points	Price Basis		This week 14-Jun-04	Last week 31-May-04	Month ago 17-May-04	Year ago 16-Jun-03
From: Thunder Bay(WCE) (2)	In-Store	Wheat	190.00	188.00	187.00	144.90
(CBOT)		Oat	145.25	147.75	151.50	150.75
(Lethbridge)		Barley	157.00	158.00	151.00	150.00
To: Bayport, ON (1)	In-store	Wheat	213.61	211.61	210.61	168.51
		Oat	N/A	N/A	N/A	N/A
		Barley	184.39	185.39	178.39	177.39
Montreal, QC (1)	In-store	Wheat	218.03	216.03	215.03	172.93
		Oat	N/A	N/A	N/A	N/A
		Barley	189.31	190.31	183.31	182.31
Moncton, NB	Truck via Halifax	Wheat	240.25	238.25	237.25	195.15
		Oat	N/A	N/A	N/A	N/A
		Barley	213.50	214.50	207.50	206.50
Truro, NS	Truck via Halifax	Wheat	234.22	232.22	231.22	189.12
		Oat	N/A	N/A	N/A	N/A
		Barley	211.00	212.00	205.00	204.00
Halifax, NS (1)	In-store	Wheat	225.28	223.28	222.28	180.18
		Oat	N/A	N/A	N/A	N/A
		Barley	197.30	198.30	191.30	190.30
Stephenville, NL	Track / Truck via Sydney	Wheat	288.63	286.63	285.63	243.53
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 14-Jun-04	Last week 31-May-04	Month ago 17-May-04	Year ago 16-Jun-03
Corn						
From: US Lake Port	On Board Vessel		157.28	167.57	164.33	142.38
To: Montreal, QC (1)	In-store		176.32	186.61	183.37	161.42
From: Chicago (Mi)	Track		150.97	161.06	157.30	134.32
To: Montreal, QC	Track		179.83	189.92	186.16	163.18
From: Chatham, ON	Track		164.66	173.42	161.41	152.26
To: Montreal, QC	Track		188.53	197.29	185.28	176.06

Soymeal 48% Protein

From: Hamilton, ON			440.15	411.93	440.70	320.55
To: Montreal, QC	Track		464.48	436.26	465.03	344.88
Moncton, NB	Track		483.23	455.01	483.78	363.63
Truro, NS	Track		486.45	458.23	487.00	366.85
Stephenville, NL	Track / Truck via Sydney		535.08	506.86	535.63	415.48

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

Bi-weekly Bulletin

July 5, 2004 Volume 17 Number 11

PROFILE OF THE CANADIAN WHEAT INDUSTRY

Canada is generally the largest producer of high protein milling wheat in the world, although it is only the seventh-largest wheat producing country. Wheat continues to be Canada's largest crop in terms of both area seeded and production. Not only does it support a large Canadian domestic processing industry, it is the single largest earner of export revenue of all agricultural products, with annual exports worth about \$3.8 billion (G). This issue of the *Bi-weekly Bulletin* provides an overview of the Canadian wheat industry. "Wheat" refers to all types of wheat, including durum, unless otherwise specified.

CANADIAN WHEAT PRODUCTION

Most Canadian wheat is grown in the Prairie provinces of Saskatchewan, Alberta and Manitoba, which produced 48%, 28% and 16% of the total, respectively, over the past five years. The only significant wheat-producing province in eastern Canada is Ontario, which accounted for 7% of the total.

Fewer but Bigger Farms

Statistics Canada (STC)'s *Census of Agriculture* reported that 72,778 Canadian farmers produced wheat in 2001, down sharply from 93,545 five years earlier. Wheat was the major source of farm income for 15,249 farmers, compared to 29,526 in 1996. However, average area of wheat per farm has increased from 133 hectares (ha) to 149 ha.

Wheat Area has Declined

Wheat seeded area has averaged 10.7 million hectares (Mha) over the past five years, a decline of 23% from the 1989 to 1993 average. Wheat accounted for 37% of annual crop area, down from over 50% a decade ago, due to increases in canola, pulses and special crops. This proportion fell to an all-time low of 36% in 2003, at just 10.6 Mha, and is expected to decline slightly for 2004. However, wheat area remains more than double its closest rivals, canola and barley. Wheat area is expected to remain near current levels over the next decade, with production rising slightly due to higher yields.

Low Yields Relative to US and EU

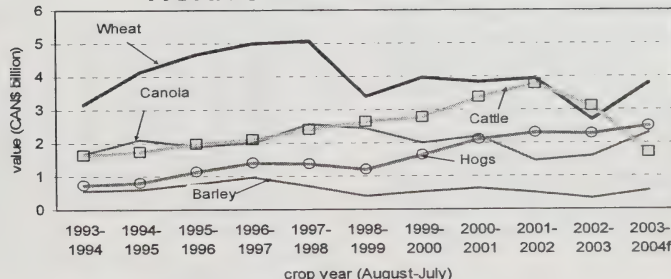
Canadian wheat yields are relatively low compared to many other wheat-producing countries, averaging 2.37 tonnes per hectare (t/ha) [35 bushels per acre (bu/ac)] between 1996 and 2000 (compared to about 33 bu/ac in the early 1990s). This is below the world average of 40 bu/ac, 41 bu/ac in the United States (US) and 84 bu/ac in the European Union-15 (EU-15), although above the Australian average of 27 bu/ac. There are two reasons for this. One is that spring wheat, which tends to be lower-yielding than winter wheat, dominates Canadian production. The other is that the major wheat growing regions of western Canada are semi-arid, with average annual precipitation of only about 15 inches [under 40 centimetres

(cm)] in southern Saskatchewan and Alberta. Very little wheat in Canada is irrigated. Yields vary considerably between regions, from 32 bu/ac in Saskatchewan to 60 bu/ac in Ontario where winter wheat is predominant and rainfall is more plentiful, averaging over 30 inches (75 cm) a year.

Production has Declined

Total production averaged 23 million tonnes (Mt) over the past five years, about 4% of the world total. This is down from 29 Mt or 5% over a comparable five-year period a decade ago. However, production was below-normal in 2001 and 2002, due to drought in parts of western Canada, and the 1996 to 2000 average was 26 Mt. Of this, non-durum wheat averaged 21 Mt, a decline of 16%

CANADA: EXPORT VALUE OF MAJOR AGRICULTURAL PRODUCTS

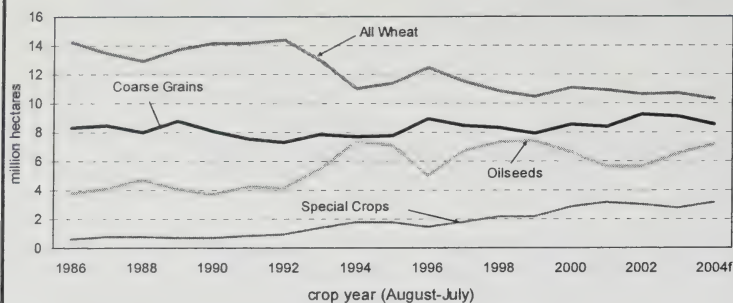


Note: Exports include primary products (flour, pasta, malt, oil, meal and meat)
f: forecast, AAFC, May 2004
Source: Statistics Canada

NOV 16 2004

Canada

CANADA: SEEDED AREAS



f. forecast, Statistics Canada Preliminary estimates of principal field crop areas, Canada, June 29, 2004
Source: Statistics Canada

since the early 1990s, while durum production increased by 29% to 5 Mt over this period.

Different Classes of Wheat to Serve Customers

In western Canada, wheat production is dominated by Canada Western Red Spring (CWRS) and Canada Western Amber Durum (CWAD) wheat, with smaller production of Canada Prairie Spring (CPS), Canada Western Extra Strong (CWES), Canada Western Red Winter (CWRW), Canada Western Soft White Spring (CWSWS) and Canada Western Hard White Spring Wheat (CWHW)¹. The classes are distinguished by their different end-use characteristics. Over the past 5 years, western Canadian production consisted of 67% CWRS, 20% CWAD, and 8% CPS. Production of other classes is quite small, at 2% or less each.

Ontario produces mainly winter wheat, with soft red winter (SRW) representing about half of the total production, followed by hard red winter (HRW) and soft white winter (SWW). Spring wheat production is increasing, but makes up less than 10% of production.

All currently registered Canadian wheat varieties have been developed through traditional breeding programs, without genetic modification using recombinant DNA techniques.

DOMESTIC WHEAT CONSUMPTION

Human Food Use Has Declined in 2003-2004 Due to Low-carbohydrate Diets

Domestic consumption of wheat for human food, in wheat equivalent, averaged 2.87 Mt between 1998-1999 and 2002-2003, a 30% increase over the equivalent five-year period a decade ago. However, after reaching 2.9 Mt in 2000-2001, domestic consumption of wheat has grown only marginally, and is forecast to decline to about 2.8 Mt for 2003-2004.

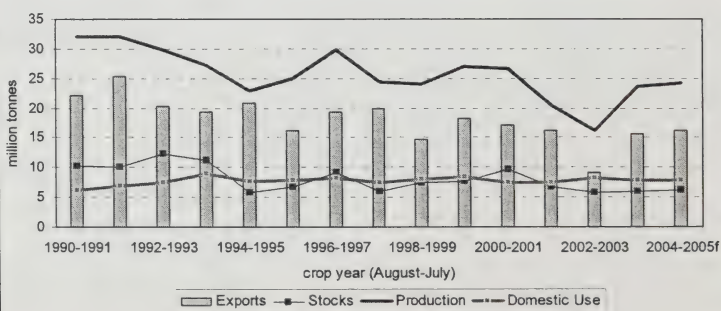
Canadian per capita consumption of wheat flour had been increasing until the late 1990s, peaking at just over 70 kilograms (kg) in 1998. This had

declined marginally by 2002, to just under 70 kg, but remained well above the 1992 figure of 61 kg². Wheat flour consumption in Canada is higher than in the USA, where disappearance was 62 kg per capita in 2002, down from a high of 66 kg in 2000. However, Canadian per capita consumption has declined to under 66 kg in 2003. This is largely attributed to the current popularity of high-protein diets, such as the Atkins diet, which feature limited intake of carbohydrates such as bread, pasta and potatoes. Future dietary trends will be a major factor in determining growth in domestic wheat consumption.

Feed Use is Expected to Increase

A significant quantity of wheat is used for livestock feed, largely for hogs and poultry. These industries are expanding, and the feed use of wheat is expected to continue to rise. Accurate data on feed use are not available. The only current source of information is the "feed, waste and dockage" (FWD) category in the STC supply-disposition table, which is a residual of all known disposition factors. For wheat, dockage (weed seeds, broken grains, etc.) makes up a significant proportion of the total. However, most dockage is cleaned out and used for feed, so the STC FWD estimate is often used as a proxy for feed use. Total FWD averaged 3.9 Mt over the past five years, compared to the five-year average of 3.2 Mt ten years earlier. Most Canadian wheat is of milling varieties, of which a portion is downgraded to feed quality due to weather and disease each year.

CANADA: ALL WHEAT SUPPLY AND DISPOSITION

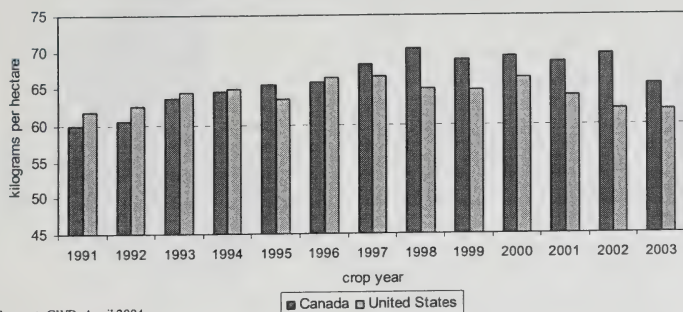


f. forecast, AAFC, July 2004
Source: Statistics Canada

¹ For a detailed description of Canadian wheat classes, see *Bi-weekly Bulletin* Volume 15 Number 6, entitled "Canadian Wheat Classes", released April 26, 2002.

² CWB estimate.

CANADA AND UNITED STATES: PER CAPITA FLOUR CONSUMPTION



f: forecast, CWB, April 2004
Source: Canadian Wheat Board

However, these feed-quality supplies are less than demand in most years. Therefore, significant quantities of lower-quality milling wheat, such as CPS, CWRW and No.3 CWRs, are often used for feed.

Seed Use Has Declined

Over 1 Mt of wheat are used for seed each year, declining from about 1.3 Mt a decade ago due to reduced seeded area. Seed use in Canada averages about 1.4 bu/ac.

Industrial Use is Expected to Increase

Industrial use of wheat in Canada, mainly for ethanol production, is at present relatively small, but increasing. STC estimates that industrial use over the past five years has averaged 116,000 tonnes (t), up from 36,000 t ten years earlier.

With a projected large increase in ethanol production in western Canada over the next decade, industrial use of wheat will rise significantly, as ethanol production in western Canada is wheat-based. This presents an opportunity for increased winter wheat production, as winter wheat is well suited to ethanol production.

THE CANADIAN WHEAT PROCESSING INDUSTRY

Flour Milling has Grown Rapidly

The domestic flour milling industry has been growing rapidly, and is now the single largest market for Canadian milling wheat, larger than any single export market. In 2002-2003, the industry processed 3.2 Mt of wheat, a 33% increase compared to 10 years earlier³. The proportion milled in western Canada is about 30%, relatively unchanged over

the past decade. Of the total wheat milled in 2002-2003, about 70% was CWRs wheat, with Ontario winter wheat at 15%, durum wheat at 10%, and other classes making up the remainder.

The trend in the Canadian milling industry has been to larger capacity mills, with the number of facilities remaining

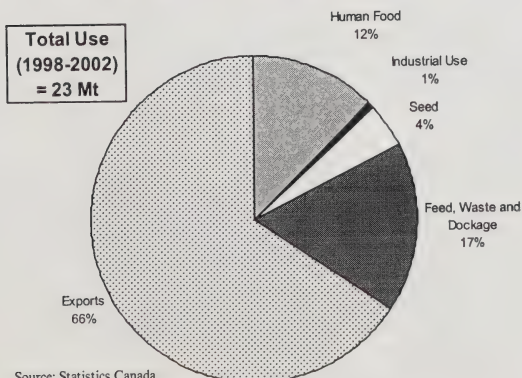
relatively constant. In 2003, there were almost 30 flour milling companies in Canada, operating over 40 mills. The total daily capacity was about 10,400 t⁴, for an average of 254 tonnes per mill (t/mill). Six years earlier, there were about 27 companies and 39 mills, with a daily capacity of 8,489 t, for an average of 218 t/mill. The number of mills with a daily capacity of 500 t or greater rose from five to eight, but the number of companies owning these mills was unchanged at three⁵. In 2003, the largest milling company was Archer Daniels Midland (ADM) with eight facilities and about 40% of total capacity. The other major companies were Robin Hood Multifoods Corporation with 3 mills and about 20% of capacity, and Dover Mills, with 3 mills and under 10% of capacity. In 1996, ADM owned 6 mills, with less than 30% of capacity, while Robin Hood and Maple Leaf/Conagra were in 2nd and 3rd place, with about 20% of capacity each. The subsequent ADM expansion was largely the result of the purchase of the Maple Leaf/Conagra mills in 1997.

Capacity utilization by the industry has also increased significantly. STC estimates that capacity utilization was over 85% in 2002-2003³, compared to only about 75% 10 years earlier. The industry currently has assets estimated at about \$4 billion (G), and employs about 1,800 people. Total product shipments were valued at about \$1.1G in 2000.

Further Processing is Very Important

In 1999, there were 29 *biscuit manufacturing* establishments in Canada. Most were located in Ontario and Quebec, near the major markets and the supply of soft wheat flour. That year, the industry shipped products valued at \$31.5M. The Canadian *breakfast cereal* industry employed about 2,753 people in 18 plants and had shipments of approximately \$878M in 1999. There were also about 569 *wholesale bakery* establishments, which shipped products valued at nearly \$2.3G. In 1999, Canada's dry pasta industry employed 1,305 people in 40 facilities, with shipments valued at \$216M.

CANADA: WHEAT USE



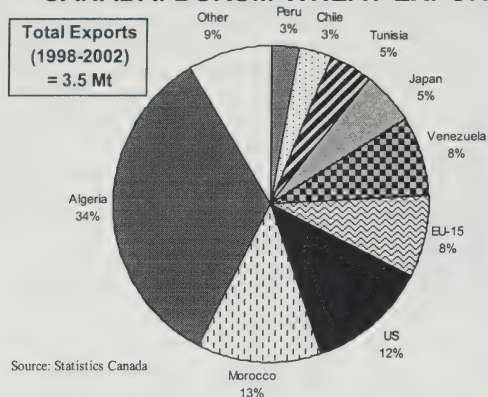
Source: Statistics Canada

³ STC "Cereals and Oilseeds Review".

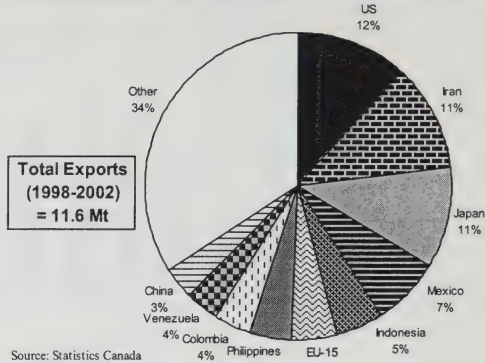
⁴ CWB estimate.

⁵ Canadian National Millers Association.

CANADA: DURUM WHEAT EXPORTS



CANADA: NON-DURUM WHEAT EXPORTS



WHEAT EXPORTS

Export Volumes Have Declined

Canada is one of the world's largest wheat exporters, second only to the US in many years, with exports averaging 15 Mt over the past 5 years. However, this is a sharp decline from over 19 Mt between 1988-1989 and 1992-1993, and Canada's market share has fallen from 18% to 14%. This is partly due to the drought-reduced crops of 2001 and 2002, but Canadian wheat exports have been on a downward trend due to reduced area and increased domestic use. While total wheat exports have declined, exports of durum wheat have risen sharply, averaging 3.5 Mt over the past 5 years, compared to just 2.7 Mt a decade earlier. Canada's world durum market share is currently about 50%, compared to 55% 10 years ago. Wheat flour exports have also increased, averaging 183,000 t over the past five years (equivalent to about 245,000 t of wheat), 14% higher than 10 years earlier.

Canadian wheat exports will be constrained by a stable seeded area and increased domestic use over the next few years. The Canadian Wheat Board (CWB) projects that total exports will rise slightly, but remain between 16 and 17 Mt, with Canada maintaining a 15% share of the world market. Of this, durum exports are expected to remain steady at about 3.65 Mt, giving Canada a 50% world market share.

The Major Markets for Non-durum

Wheat are the US, Iran and Japan

The three largest export markets for *non-durum wheat* over the past 5 years have

been the US, Iran, and Japan. Other major markets were Mexico, Indonesia, the EU-15, the Philippines, Colombia, and Venezuela. A decade earlier, the major markets were China and the Former Soviet Union (FSU), at 25% and 18% respectively. The US and Mexico were in 7th and 11th place respectively, accounting for 3% or less of the total. China may re-emerge as a major market in the near future, as wheat production in that country has failed to keep pace with demand. Total Chinese imports are forecast to rise to 8 Mt in 2004-2005, from 3 Mt in 2003-2004, and Canada is expected to capture a significant share of this market.

For 2003-2004, non-durum exports to the US have declined sharply due to the US duties on spring wheat imports from Canada. On October 3, 2003, the US International Trade Commission ruled that imports of Canadian hard red spring (HRS) wheat cause injury to US farmers, and the provisional countervail and anti-dumping duties of 14.15% on HRS wheat were maintained, while those on durum were dropped. This includes CWRS, CWES and CPS Red (CPS-R) wheat. The ruling is being appealed, but as long as it remains in place, CWRS wheat is effectively shut out of the US market. Wheat exports to the US are forecast at about 0.8 Mt in 2003-2004, virtually all being Ontario winter wheat, which is not affected by the duties. Significant CWRS exports are unlikely to resume until the duties are lifted. Exports to the US in 2004-2005 will likely be sharply lower than in 2003-2004, due to reduced Ontario production.

Algeria is the Major Market for Durum

For *durum wheat*, the major market between 1999-2000 and 2002-2003 was Algeria, at 34%, followed by Morocco, the US, the EU-15 and Venezuela. Between 1989-1990 and 1992-1993, the major durum market was the FSU, with Algeria in 2nd place at 21%.

Durum exports to the US in 2003-2004 are below normal, due to a combination of a good-quality US crop and the provisional duties that were placed on durum imports from May to October 2003. Exports to the US are expected to return to normal levels in 2004-2005.

The US is the Major Market for Flour

The major market for *wheat flour* is the US, taking an average of 158,000 t or 85% over the past five years, compared to only 14% or 23,000 t 10 years ago. Other flour markets are Japan, Hong Kong and the Bahamas, taking 3% or less each.

Wheat Exports are a Major Contributor to Foreign Exchange

Despite the decline in export volumes, the value of wheat exports remains higher than any other agricultural product, averaging \$3.68G between 1999-2000 and 2001-2002⁶. In addition, \$89M of flour was exported, bringing the total value of wheat and primary product exports to \$3.77G. Including exports of wheat-based processed products such as bread, pastry, cakes, biscuits and pasta would add approximately another

⁶ This declined to \$2.4G in 2002-2003 due to the drought, but is expected to recover to a near-normal level for 2003-2004

\$1G. By comparison, exports of canola and its primary products averaged \$1.90G, while barley and malt exports were \$1.77G. Cattle and beef exports averaged \$3.30G, while hog and pork exports were \$2.01G.

Wheat exports are much less dependent on single markets than those of other grains and oilseeds, with wheat and flour being exported to almost 90 different countries. The top five markets account for 43% of the total value. By comparison, almost 95% of canola and its products are exported to just 5 countries, with the top 5 countries making up 84% of barley and malt exports. This makes wheat exports much less subject to factors such as production variations or government policies in a single country.

WHEAT IMPORTS

Wheat Imports are Relatively Low

As Canada has a large net wheat surplus, imports are quite small, averaging only 86,000 t over the past 5 years. A Tariff Rate Quota applies to imports of wheat from all countries except the US. Most imports consist of US SRW wheat into Ontario, in years when the Ontario soft winter wheat crop has been insufficient or too low quality to meet domestic milling requirements. In 2002-2003, a record 0.18 Mt were imported, but most of this was feed wheat from Ukraine into Quebec, due to large supplies of low-quality wheat in Ukraine and low world prices that year. This has fallen to zero in 2003-2004, due to crop failure in Ukraine.

Wheat flour imports are also quite small, averaging about 28,300 t, 95% from the US. This is equivalent to about 37,800 t of wheat, with a value of \$10.6M. Imports of processed products, such as bread, pastry, cakes, biscuits and pasta are more significant, averaging \$890 M over the past five years. The US was the source of 69% of product imports, with about 13% from the EU-15.

CANADIAN WHEAT MARKETING

The Canadian Wheat Board Region

The CWB Region includes that part of the North American Great Plains that extends into Canada; essentially all of Manitoba, Saskatchewan and Alberta, plus the north-eastern corner of British Columbia. The CWB has a monopoly on the sale of all wheat produced for human consumption in this region, for both domestic use and for export. Feed wheat for domestic consumption can be sold off-Board, but the CWB controls the export of feed wheat, competing with the domestic feed market for supplies.

The CWB was created by federal statute in 1935, and operates under the *Canadian Wheat Board Act*. The CWB was a federal Crown corporation until 1998, when the Act was amended. It is now a "shared governance corporation" controlled by a 15 member Board of Directors, 10 directly elected by farmers, and 5 appointed by the federal government. Changes to the Board's programs can now be made by farmers through their elected Directors. The federal government continues to guarantee the CWB's initial payments,

but the CWB was given the authority to offer cash pricing options in addition to the pool accounts, to close the pools at any time, to make cash purchases of wheat and to provide an early pool cash-out option. The fixed price contracts and early payment options are not guaranteed by the government.

All CWB wheat sales are pooled, through two pool accounts; one for durum and one for all other wheat. The CWB pays the farmer an initial payment at the time of delivery. This initial payment is set at the start of the August-July crop year at 65% to 75% of expected pool returns, and is guaranteed by the federal government, so that if final realized pool returns fall below the initial payment, the Government will cover the deficit. The initial payments may be adjusted upward throughout the year, as sales revenue is received, or if prices rise. After the end of the crop year, when the pool accounts are closed and audited, any remaining funds, net of CWB operating costs, are distributed to farmers as a final payment.

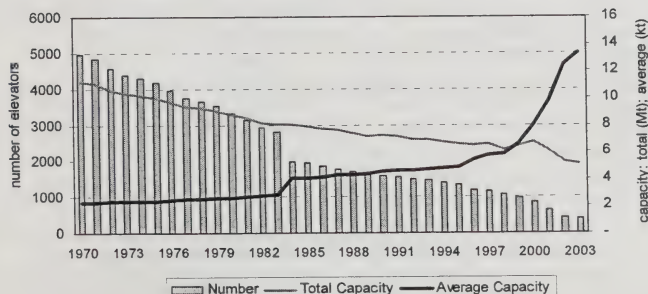
The CWB manages wheat deliveries into the commercial elevator system through a series of delivery contracts and contract calls, in order to utilize available system capacity as efficiently as possible in conjunction with other industry participants. Every farmer has equal delivery opportunity within a crop year and, if he remains in the pool, receives the same average pooled price for wheat of the same grade and protein level, taking into account different transportation charges to Vancouver or St. Lawrence ports.

Starting in 2000-2001, the CWB began offering cash pricing options in addition to pooled returns, including fixed price forward contracts and basis contracts. These options allow a farmer to lock in a fixed price and receive full payment at the time of delivery. Farmers can also use an Early Payment Option (EPO), which provides up to 100% of the expected pool return at delivery, net of a fee to cover risk, costs and time value of money, but allows for further payments if the initial and/or final payments rise above the EPO level.

CWB Price Determination

Although the CWB is the world's largest wheat exporter, it is essentially a price

WESTERN CANADA: PRIMARY ELEVATORS NUMBER VERSUS CAPACITY (1970-2003)



Source: Canadian Grain Commission

taker in world markets. World wheat prices are largely determined on the US futures markets, and in most cases the CWB receives prices competitive with export prices of US wheat. Sales into the domestic market are priced on a North American competitive basis guided by the Minneapolis Grain Exchange, so that Canadian millers in all geographic locations pay a price competitive with that paid by US millers.

Wheat Transportation and Handling

Most western milling wheat is delivered by farmers to a primary elevator, with only small quantities delivered directly to end users or terminal elevators. The number of primary elevators has declined dramatically over the past decade, with 382 facilities in western Canada licensed with the Canadian Grain Commission (CGC) on August 1, 2003, compared to 1,465 in 1993. Total storage capacity has declined to 5.10 Mt, compared to 6.92 Mt a decade earlier. Average storage capacity has increased sharply, however, from 4,724 t in 1993 to 13,353 t in 2003, as traditional wooden elevators have been replaced by concrete high-throughput facilities. As average distances from the farm to the local elevator have increased due to the consolidation, the dependence of farmers on commercial truckers to move wheat from the farm to elevator has increased.

Most western Canadian wheat is moved from the primary elevators by rail. Terminal elevators are located at Thunder Bay (Ontario on Lake Superior) Vancouver and Prince Rupert (British Columbia on the Pacific coast) and Churchill (Manitoba on Hudson Bay). From Thunder Bay, which is linked to the Atlantic Ocean by the St. Lawrence Seaway, the wheat can move by lake freighter to eastern mills or transfer elevators, or by ocean vessel directly to overseas markets. An increasing quantity of wheat is also being railed directly from Prairie elevators to the US or through the US to Mexico and the Caribbean. Smaller quantities of wheat are also moved by rail directly to eastern mills or transfer elevators, particularly during the winter when the Seaway is frozen. This is most significant for durum wheat, as most durum exports are made from St. Lawrence transfer elevators. About two-thirds of durum is exported

from the east, compared to 25% for non-durum wheat.

Exports from the two Pacific ports were 53% of the total over the past 5 years, compared to 59% a decade earlier. Exports from Thunder Bay and eastern terminals accounted for 33%, down from 39% ten years ago. These declines have been offset by increased exports direct from Prairie elevators, now at 11%, compared to only 2% a decade ago, and from Churchill, which rose from 1% to almost 3%.

Canadian wheat production is located the farthest from ocean ports of any major wheat producing country. As a result, total transportation and handling charges are relatively high, ranging from about \$45 per tonne (t) in Alberta to \$52/t in Saskatchewan in 2003-2004. This represents about 20% to 25% of the 2003-2004 value of the wheat at export position.

Off-Board Wheat Marketing

Western wheat used domestically for feed can be sold directly to private grain companies or end users, with feed-quality wheat delivered to the CWB largely being exported. Off-Board feed wheat futures are traded on the Winnipeg Commodity Exchange (WCE). The WCE futures price is heavily influenced by US corn prices, as imported US corn can substitute for domestic feed wheat, although domestic feed supplies and expected CWB returns are also factors. Much of the feed wheat bypasses the commercial handling system and is sold directly to end users such as feed mills and livestock feeders. There are no restrictions on the delivery of off-Board feed wheat.

Ontario Wheat Marketing

Although the Ontario Wheat Producers' Marketing Board (OWPMB) has provincially-legislated monopoly powers, Ontario wheat is now effectively traded in an open market. The decision to allow unrestricted off-Board marketing was made by farmer-elected Directors of the OWPMB. The OWPMB continues to represent Ontario wheat producers, and offers pooling and cash pricing options, but competes directly with the private trade for wheat supplies. Only a small percentage of the crop has been marketed through the pools over the past

several years, although this could change depending on expected prices and crop conditions. Ontario wheat prices are largely based on the Chicago Board of Trade. Export permits for Ontario wheat must be obtained from the CWB, but these are provided at no cost and without restriction.

Wheat Marketing in Other Provinces

Small quantities of wheat are produced in most other provinces. This is used mainly for feed, although some is sold to local flour mills. Feed wheat prices are based on either the WCE feed wheat futures, or the competitive price of other feed grains such as barley and corn. For milling wheat, flour mills generally pay a price similar to that which they would pay the CWB for similar quality wheat.

CANADIAN WHEAT QUALITY

Canadian wheat is known not only for its high quality, but for its consistent quality, which is maintained by strict controls on variety registration and grading standards. This has allowed Canada to 'brand' Canadian wheat as one of the cleanest, most uniform quality products on the export market, due to tight export quality standards.

Variety Registration

The major reason for the consistency of Canadian wheat quality is the control of registration of new varieties. In order to qualify for a particular class, a new variety must possess milling and baking characteristics equal to the minimum standards of that class. Another basic requirement for variety registration is 'kernel visual distinguishability' (KVD). All varieties of western wheat along with eastern white winter wheat must have the same kernel appearance as other varieties of that class, so that the class can be easily visually identified at the time of delivery to facilitate segregation by class.

The decision to register a new variety is made by the Variety Registration Office (VRO) of the Canadian Food Inspection Agency (CFIA). The CFIA will only register wheat varieties that have been recommended by regional committees such as the Prairie Registration Recommending Committee for Grain (PRRCG).

Any variety that does not meet the recommendation committee's quality standards for one of the existing wheat classes will not be recommended for registration for production, and can only be grown for feed. If the KVD requirement is not met, the variety cannot be registered even if the variety has desirable quality or agronomic traits. This prevents, for example, a variety that meets the CPS-R standard but looks like a CWRS variety from being registered. Otherwise, the CPS-R could be inadvertently mixed with CWRS wheat, lowering the milling quality and consistency of the CWRS shipments customers have come to expect from the CWRS brand.

The KVD requirement can unfortunately delay the introduction of new varieties. A recent example is the variety HY644, which is a CPS red wheat with fusarium head blight resistance. This variety was very attractive to producers in the Red River valley where fusarium is a major problem. HY644 was denied registration because it had kernel characteristics similar to hard red spring wheat and would have posed a potential challenge to the handling system as well as jeopardizing the quality of red spring wheat shipments. KVD may eventually be replaced by a 'black-box', which does not yet exist, that can identify a variety by genetic markers at the elevator or by a producer declaration system. KVD is expected to be maintained until a suitable replacement is found.

Grading

Canadian wheat grading is based on a numerical system defined by the Canada

Grain Act and Regulations, and is administered by the CGC. The Act provides for the appointment of Eastern and Western Standards Committees, which recommend specifications for grades to the CGC. The Standards Committees are made up of farmers, and members nominated by the CGC, federal government, CWB, processors and exporters. Grade definitions are only changed if there is evidence that it would increase the acceptability of Canadian grain in world markets.

Wheat grades are based on five key grading factors. These are applied to clean grain, after dockage is removed. **Test weight** is a measure of kernel density, and No.1 CWRS requires a minimum of 75 kilograms per hectolitre (kg/hl) at the primary elevator and 79 kg/hl at export. **Varietal purity** is the percentage of non-registered varieties and other classes in the sample, and ensures that the quality will meet minimum class standards. No.1 CWRS can have no more than 2.3% contrasting classes or other varieties at the primary elevator, or 1.5% for export. **Vitreousness** is the natural translucent appearance that indicates hardness, with No.1 CWRS requiring a minimum of 65% hard vitreous kernels. **Soundness** refers to the degree of damage due to factors such as frost, immaturity, weathering, diseases and improper storage, with separate numerical tolerances for those factors which can be objectively measured, and a limit on total damage from all factors. **Foreign material** is anything other than grain of the same class remaining after dockage has been removed. There are separate maximum

tolerances for each type of material, such as stones, ergot and other grains, with total foreign material for No.1 CWRS limited to 0.6% at the primary elevator or 0.4% for export.

As noted above, export standards are in some respects tighter than primary standards. This is because of the blending that occurs when wheat is transported from the Prairies to the terminal elevators. Wheat of the same grade from many regions is binned together, averaging out regional quality factors. This quality averaging has been reduced by the increased unit train shipments from high throughput elevators, and as a result, primary grade standards have been tightened to more closely match export standards.

All Canadian grading factors can be quickly assessed by the grain buyer at the time wheat is delivered to a primary elevator, allowing for the efficient segregation of different qualities. Within each of the top grades for CWRS, CWRW, CWES, and durum, the wheat is further segregated on the basis of protein content, as each primary elevator has protein measuring equipment. The wheat is again graded when it arrives at a terminal elevator, and when it is discharged for export, this time by CGC inspectors. Shipments direct from country elevators to the US, Mexico or Caribbean are also inspected by CGC inspectors. This ensures that a shipment of wheat leaving Canada for any destination meets the minimum export grade standards.

CANADA: MAJOR CWRS WHEAT GRADE DETERMINING FACTORS

Grade	Minimum		Maximum							
	Test Weight (primary)	Hard Vitreous Kernels	Other Wheat Classes or Varieties		Total Foreign Material		Kernels			
			Primary	Export	Primary	Export	Sprouted	Fusarium Damaged	Shrunken and Broken	Heated
	kg/hl					percent				
No.1 CWRS	75.0	65.0	2.3	1.5	0.6	0.4	0.5	0.25	7.0	0.05
No.2 CWRS	72.0	35.0	4.5	3.0	1.2	0.8	1.0	1.00	8.0	0.40
No.3 CWRS	69.0	n/a	7.5	5.0	2.4	1.3	3.0	2.00	9.0	1.00
CW Feed	65.0	n/a	n/a*	n/a*	10.0	5.0	n/a	5.00	15.0	2.50

n/a = not applicable

* Maximum of 10% Amber Durum

Note: the above table is for illustrative purposes only, and does not include all grade determining factors.

Source: Canadian Grain Commission

CHALLENGES AND OPPORTUNITIES

Genetically Modified (GM) Wheat

Monsanto Company had applied for regulatory approval in Canada and the US for a variety of wheat genetically engineered to tolerate the non-specific weed-killing chemical glyphosate, marketed by Monsanto as "Roundup". Monsanto states that Roundup-Ready wheat would be of value to farmers, as weed control would be cheaper and more effective. However, the control of volunteer wheat plants in subsequent crops is an issue that must be addressed. Although Monsanto announced on May 10, 2004 that it was deferring its efforts to introduce Roundup-Ready wheat, the potential remains for this or other GM traits to be introduced into wheat. Monsanto is reported to also be developing GM traits for cold stress and drought tolerance in wheat. However, consumer acceptance of any type of GM wheat is a concern. At present, it appears that most consumers do not want GM wheat, with the CWB estimating that customers representing 87% of its market for Nos. 1 and 2 CWRS grades will not purchase GM wheat if commercialized.

US Duties

On March 3, 2003, the United States Department of Commerce (DOC) made a preliminary determination of subsidy resulting in provisional countervailing duties being imposed on US imports of both Canadian HRS wheat and durum wheat. On May 1, 2003 the DOC made its preliminary determination of dumping, imposing anti-dumping duties effective May 8, 2003. On August 28, the DOC made affirmative final determinations of subsidy and dumping on both HRS and durum. On October 3, 2003, the US International Trade Commission (ITC) ruled that imports of Canadian durum do not in fact cause injury to US farmers, but that imports of HRS wheat do. As a result, the duties were removed from durum, but are 14.15% for HRS wheat, which includes the CWRS, CWES and CPSR classes. Exports of western

wheat to the US have declined to near-zero in 2003-2004 as a result. The DOC and ITC rulings are being appealed and until the duty is lifted, significant exports to the US are unlikely to resume. The loss of the US milling market, which pays a premium price for CWRS wheat, is a serious issue for the western Canadian wheat producer, as it reduces overall pool returns, unless the CWB is successful in finding alternative markets that offer similar premiums.

Wheat Breeding Opportunities

Western Canadian wheat and durum producers contribute to wheat and durum research through the Wheat Check-off Fund, administered by the Western Grains Research Foundation. This \$0.20/t check-off, although voluntary, is supported by over 90% of producers, and has generated over \$3 million annually for wheat breeding research. This producer investment has supported the introduction of over 25 new varieties of wheat and durum since 1993-1994.

Fusarium head blight resistance is a key target in current breeding, with resistant varieties expected to be released commercially in two to three years. New varieties will also have **improved yield potential**, with the trend of 0.5% increase in yields per year expected to continue for at least the next 10 years. The new class of **hard white wheat**, which targets key Asian markets, is a recent development, and the agronomic and end-use characteristics of varieties in this class will be improved in the future. **Sawfly resistance** in CWRS wheat is also being improved. New **durum varieties** are being developed, with excellent agronomics and adaptation across the durum growing region.

SUMMARY

Although wheat production in Canada has been declining, area is expected to stabilize near current levels, with production slowly increasing due to improved yields. Wheat will remain the single largest foreign exchange earner of all agricultural products for the

foreseeable future. However, an increasing proportion of the crop will be consumed domestically, supporting a growing value-added industry, with the reliance on exports of raw product declining. The development of high-yielding varieties for the feed and ethanol industries will provide further domestic markets for wheat and enhance the value-added industries dependent on a stable supply of high-energy feedstock. Canada's reputation for quality, the tight controls over variety registration and grading standards and the ability to segregate various qualities in the handling system position Canada well for the provision of high-quality wheat into premium markets.

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CANADA: GRAINS AND OILSEEDS OUTLOOK

July 05, 2004

For 2004-05, grain and oilseed production in Canada is forecast by AAFC to increase to 61.1 million tonnes (Mt), from 59.6 Mt in 2003-04, based on Statistics Canada's June survey of seeded area. In western Canada, yields and abandonment rates are expected to be near normal. Widespread rains have improved low soil moisture conditions in Saskatchewan and Alberta, but have prevented seeding in some areas in Manitoba. Crop development is about two weeks behind normal due to delayed seeding. In eastern Canada, seeding has also been delayed by cool, wet conditions which has shifted some seeded area out of corn into soybeans. It has been assumed that precipitation will be normal for the growing and harvesting periods. In western Canada, production is expected to increase to 46.4 Mt, from 44.1 Mt in 2003-04 but, in eastern Canada, it is expected to fall to 14.7 Mt from 15.5 Mt in 2003-04.

Total supplies in Canada are forecast to increase due to higher production and higher carry-in stocks. Total exports are forecast to increase slightly to about 26 Mt. Total domestic usage and carry-out stocks are forecast to increase. Prices in Canada are expected to be pressured by the strong Canadian dollar. The average prices for wheat, corn and oats are forecast to increase from 2003-04, while prices for durum, canola, flaxseed and soybeans decline and the average price of barley remains unchanged. The major factors to watch for 2004-05 are growing conditions in the major grain trading regions, import demand from China, ocean freight rates and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2004-05, production is forecast to increase by 3%, with higher production in western Canada offset by sharply lower production in Ontario. Supplies are expected to increase but remain below the 10-year average of 25.4 Mt. Domestic use is projected to rise slightly, due to greater feed use, assuming a return to a normal grade distribution. Exports are forecast to increase slightly, with higher western exports largely offset by lower exports from Ontario. Carry-out stocks are forecast to remain at 4.0 Mt, well below the 10-year average of 5.3 Mt. The Canadian Wheat Board (CWB) Pool Return Outlook (PRO) for No.1 CWSR 11.5% protein is \$215/t, in-store Vancouver/St. Lawrence (I/S VC/SL), \$7/t above 2003-04. Ontario winter wheat production is forecast to fall by 25% due to a lower seeded area. Exports of wheat from Ontario are projected to fall to 0.8 Mt, from a record 1.4 Mt in 2003-04, due to the lower production.

DURUM

Production is forecast to rise by 4%, due to higher expected yields related to much-improved moisture conditions in the durum growing region, despite lower seeded area. Due to higher carry-in stocks and production, supplies are forecast to rise by 8%, to 6.4 Mt, slightly above the 10-year average. Exports are also expected to increase but remain slightly below the 10-year average. World import demand for durum wheat is expected to weaken due to good crops in the EU and North Africa. Carry-out stocks are projected to increase by 11% to 2.1 Mt, vs. the 10-year average of 1.7 Mt. The CWB PRO for No.1 CWAD 11.5% protein is \$200/t, I/S VC/SL, \$26/t below 2003-04. A discount of \$15/t to No.1 CWSR 11.5% is projected, vs. an \$18/t premium for 2003-04, which would be the first discount since 1990-91.

BARLEY

Production is forecast to increase by 3% due to higher yields, despite lower seeded area. Due to higher carry-in stocks and production, supplies are expected to rise by 9%. Feed use is expected to increase, due to higher barley supplies in western Canada and increased shipments to eastern Canada. Malting barley exports are expected to rise, as import demand from China returns to normal. Feed barley exports are forecast to fall, due to increased competition from the EU-25, Australia and the Black Sea region. Carry-out stocks are forecast to increase. Off-Board feed barley prices are expected to be the same as 2003-04, as support from higher US corn prices is offset by pressure from larger domestic production. The CWB June PRO for No.1 CW Feed Barley is \$134/t I/S VC/SL, vs. \$164/t for 2003-04. The PRO for Special Select Two Row designated barley is \$187/t vs. \$200/t for 2003-04, mainly due to higher supplies expected in Europe and Australia.

OATS

Production is forecast to decline marginally due to a lower area, but supply is expected to rise by 5% due to higher carry-in stocks. Exports, mainly to the US, are expected to rise slightly. Oat prices are forecast to rise due to higher US corn prices, with the price expected to be comparable to corn on a per tonne basis.

CORN

Production is forecast to fall by 10%, due to lower seeded area and yields. Corn imports, especially to eastern Canada, are expected to rise, as a result of lower domestic supplies. The feed use of corn is forecast to decline as barley replaces some of the corn fed in Canada, especially in western Canada. Carry-out stocks are forecast to decline by 10%. Chatham corn prices are forecast to rise by \$10/t, due to higher US corn prices and lower production in Canada.

CANOLA

Production is forecast to increase by 8% due to higher harvested area. However, supplies are forecast to increase by only 4%, slightly above the 5 year average, due to lower carry-in stocks. Domestic crush is expected to remain stable at 3.2 Mt, while exports rise slightly to 3.6 Mt on steady demand from Japan, Mexico and China. Carry-out stocks are forecast to increase but remain about 25% below the 5 year average. Due to higher Canadian and world canola/rapeseed production and lower prices in the soybean complex, the average price of canola is expected to fall.

FLAXSEED (excluding solin)

Production is forecast to increase by 25%, due to a rise in expected harvested area and yields. Supplies are also forecast to increase significantly. Exports are forecast to remain stable on steady demand from the EU. Carry-out stocks are expected to rise significantly, pressuring average prices.

SOYBEANS

Production is forecast to increase by 32%, to a record high 3.0 Mt, due to higher seeded area and yields. Supplies are also expected to increase significantly to a record 3.5 Mt, due to higher production and carry-in stocks. Domestic crush is expected to increase by 9% to a near record high, while exports rise by 18%. Prices are forecast to fall significantly, due to lower US soybean prices resulting from sharply higher soybean production in the US and South America.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

July 5, 2004

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports ©)	Food and Ind. Use (e)	Feed, Waste & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (f) \$/t
----- thousand metric tonnes-----											
Durum											
2002-2003	2,246	1.73	3,877	6	5,427	2,968	276	328	841	1,619	271.23
2003-2004f	2,459	1.74	4,280	1	5,899	3,150	260	379	849	1,900	226 *
2004-2005f	2,170	2.05	4,450	1	6,351	3,400	260	381	851	2,100	200 **
Wheat Except Durum											
2002-2003	6,590	1.87	12,321	173	17,678	6,223	2,796	3,738	7,348	4,107	241.00
2003-2004f	8,009	2.41	19,272	18	23,397	12,500	2,675	3,412	6,897	4,000	208 *
2004-2005f	8,025	2.47	19,825	20	23,845	12,800	2,675	3,550	7,045	4,000	215 **
All Wheat											
2002-2003	8,836	1.83	16,198	178	23,105	9,191	3,073	4,066	8,189	5,725	
2003-2004f	10,467	2.25	23,552	19	29,296	15,650	2,935	3,791	7,746	5,900	
2004-2005f	10,195	2.38	24,275	21	30,196	16,200	2,935	3,931	7,896	6,100	
Barley											
2002-2003	3,348	2.24	7,489	259	9,796	945	175	6,755	7,376	1,475	171.88
2003-2004f	4,446	2.77	12,328	45	13,847	2,400	320	8,407	9,147	2,300	135-145
2004-2005f	4,240	3.01	12,750	40	15,090	2,600	375	9,060	9,890	2,600	125-155
Corn											
2002-2003	1,283	7.01	8,999	3,904	13,958	308	2,385	10,121	12,540	1,111	145.34
2003-2004f	1,226	7.82	9,587	2,300	12,998	300	2,550	9,113	11,698	1,000	135-145
2004-2005f	1,190	7.29	8,675	2,600	12,275	150	2,650	8,540	11,225	900	135-165
Oats											
2002-2003	1,379	2.11	2,911	21	3,294	1,190	132	1,255	1,580	524	193.91
2003-2004f	1,575	2.34	3,691	20	4,235	1,450	170	1,640	1,985	800	135-145
2004-2005f	1,460	2.48	3,625	20	4,445	1,500	170	1,775	2,145	800	135-165
Rye											
2002-2003	77	1.74	134	2	185	52	38	43	103	30	
2003-2004f	147	2.22	327	1	358	50	47	193	258	50	
2004-2005f	165	2.12	350	2	402	80	48	197	262	60	
Mixed Grains											
2002-2003	132	2.72	359	0	359	0	0	359	359	0	
2003-2004f	135	2.84	384	0	384	0	0	384	384	0	
2004-2005f	125	2.88	360	0	360	0	0	360	360	0	
Total Coarse Grains											
2002-2003	6,218	3.20	19,892	4,185	27,592	2,495	2,730	18,532	21,958	3,139	
2003-2004f	7,529	3.50	26,317	2,366	31,822	4,200	3,087	19,737	23,472	4,150	
2004-2005f	7,180	3.59	25,760	2,662	32,572	4,330	3,243	19,932	23,882	4,360	
Canola											
2002-2003	3,262	1.28	4,178	239	5,667	2,394	2,225	114	2,378	894	415.09
2003-2004f	4,689	1.42	6,669	225	7,788	3,500	3,200	343	3,588	700	390-400
2004-2005f	5,122	1.41	7,200	215	8,115	3,600	3,200	370	3,615	900	360-400
Flaxseed											
2002-2003	633	1.07	679	27	892	577	n/a	n/a	186	128	401.97
2003-2004f	728	1.04	754	20	903	600	n/a	n/a	203	100	380-390
2004-2005f ^{1/}	743	1.27	940	20	1,060	600	n/a	n/a	210	250	330-370
Soybeans^{1/}											
2002-2003	1,024	2.28	2,336	651	3,159	723	1,763	419	2,291	145	307.55
2003-2004f	1,047	2.17	2,268	600	3,013	850	1,600	288	1,988	175	400-420
2004-2005f	1,212	2.48	3,000	350	3,525	1,000	1,750	475	2,325	200	300-340
Total Oilseeds											
2002-2003	4,919	1.46	7,193	917	9,717	3,695	n/a	n/a	4,855	1,168	
2003-2004f	6,464	1.50	9,692	845	11,704	4,950	n/a	n/a	5,779	975	
2004-2005f	7,076	1.57	11,140	585	12,700	5,200	n/a	n/a	6,150	1,350	
Total Grains and Oilseeds											
2002-2003	19,973	2.17	43,282	5,280	60,414	15,381	n/a	n/a	35,002	10,032	
2003-2004f	24,461	2.43	59,561	3,230	72,823	24,800	n/a	n/a	36,998	11,025	
2004-2005f	24,451	2.50	61,175	3,268	75,468	25,730	n/a	n/a	37,928	11,810	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No. 1 CWRS 11.5% protein and No. 1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No. 2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* May 2004 CWB Pool Return Outlook (PRO)

** June 2004 PRO

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

f. Agriculture and Agri-Food Canada forecast, July 5, 2004

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

July 5, 2004

For 2004-05, total Canadian pulse and special crops seeded area increased by 13%, as higher seeded areas for dry peas, lentils, dry beans, canary seed and buckwheat more than offset lower areas for chick peas, mustard seed and sunflower seed. Statistics Canada's (STC) seeded area survey, conducted from May 19 to June 4, 2004 and released on June 29, provided seeded area estimates for the main producing provinces, but for some of the smaller producing provinces the area seeded has been estimated by AAFC. Seeding was later than normal due to wet weather in Ontario, Manitoba and eastern Saskatchewan. Crop development is, in general, about two weeks behind normal due to seeding delays and cool weather. The delay in crop development increases the risk of frost damage in the fall. Although, soil moisture reserves improved during May and June, parts of western Saskatchewan and Alberta continue to have below normal reserves. Overall, yields are forecast to be near trend due to the improved moisture conditions. It has been assumed that precipitation and temperatures will be normal for the growing and harvest periods, and that abandonment and average quality will be normal.

For 2004-05, total pulse and special crops production is forecast to increase by 23%, from 2003-04, to 4.53 million tonnes (Mt). Total supply is expected to increase by only 15% to 5.04 Mt, because of lower carry-in stocks. Although exports and domestic use are forecast to increase due to the higher supply and strong demand, carry-out stocks are also expected to increase. Average prices, over all grades and markets, are forecast to increase from 2003-04 for dry beans, chick peas and sunflower seed, decrease for dry peas, lentils, mustard seed and canary seed, and be the same for buckwheat. However, due to low world carry-in stocks, prices are expected to be very sensitive to any production problems. The main factors to watch in Canada are precipitation and temperatures during the growing and harvest periods, and crop development. Other factors to watch are exchange rates, and growing conditions in the major producing countries, especially the US, Australia, India, France and Turkey.

DRY PEAS

For 2004-05, production and supply are forecast to increase, due to a 10% increase in seeded area and higher yields. Production is expected to increase for yellow, green and other types. World supply is forecast to increase by 9% to 11.9 Mt, mainly because of higher production in Canada, EU, US and Australia, but this is expected to be mostly offset by increased use in both the feed and food markets. Canadian exports and domestic use are forecast to increase, due to the higher supply and lower prices. Carry-out stocks are forecast to increase with a stocks-to-use (s/u) ratio of 16%. The average price, over all types, grades and markets, is forecast to decrease due to the higher supply.

LENTILS

Production and supply are forecast to increase, due to a 36% increase in seeded area and higher yields. Production is expected to increase for large, medium and small green, red and other types. World supply is expected to increase by 9% to 3.45 Mt, due mainly to higher production in Canada, Australia and India. Canadian exports are expected to increase, as Canada's share of world supply increases and prices decrease. Carry-out stocks are forecast to increase, with a s/u of 18%. The average price, over all types and grades, is forecast to decrease due to the higher supply.

DRY BEANS

Production and supply are forecast to decrease, as a slight increase in seeded area is more than offset by lower yields and lower carry-in stocks. Production is expected to decrease for all classes, including white pea, pinto, black, red kidney, cranberry, Great Northern, small red and pink. Exports are forecast to decrease, due to lower supply, and carry-out stocks are expected to decrease to a low level. US

production and supply are also expected to decrease due to a forecast 2% decrease in harvested area and lower carry-in stocks. Total US and Canadian supply of all major classes of dry beans is forecast to fall. The average price, over all classes and grades, is forecast to rise due to lower supply.

CHICK PEAS

Production is forecast to decrease marginally, due to an 8% decrease in seeded area. Production is expected to increase for the large kabuli type, but decrease for the desi and small kabuli types. However, supply is forecast to decrease for all types due to lower carry-in stocks. World supply is expected to decrease by 6% to 8.2 Mt. Canadian exports are forecast to decrease due to lower supply. Carry-out stocks are forecast to decrease to a low level. The average price, over all types, sizes and grades, is forecast to increase due to the lower supply.

MUSTARD SEED

Production is forecast to increase as a small decrease in seeded area is more than offset by higher yields. Production is expected to increase for the oriental type, decrease for the brown type and remain stable for the yellow type. However, supply is forecast to increase due to higher carry-in stocks. In the US, harvested area and production of the yellow type are expected to decrease. Canadian exports are expected to increase because of stronger demand and lower prices. Carry-out stocks are forecast to increase, with a s/u ratio of 58%. The average price is forecast to remain stable for the yellow type, but decrease for the brown and oriental types. The average price, over all types and grades, is forecast to decrease.

CANARY SEED

Production and supply are forecast to increase, due to a 29% increase in seeded area and higher carry-in stocks. World

supply is forecast to increase by 27% to 360,000 t. Canadian exports are expected to increase, because of higher supply and lower prices. Carry-out stocks are forecast to increase, with a stocks-to-use ratio of 43%. The average price is forecast to decrease because of the higher supply.

SUNFLOWER SEED

Production and supply are forecast to fall, due to a 22% decrease in seeded area. Production is expected to decrease for both types, confectionary and oilseed. In the US, harvested area, production and supply are expected to decrease for both types. World supply is expected to decrease by 4% to 26.7 Mt. Canadian exports and domestic use are expected to increase, causing carry-out stocks to decrease to a low level. The average price, over both types and all grades, is forecast to increase due to the lower supply.

BUCKWHEAT

Production is forecast to increase, due to an increase in seeded area, while supply decreases due to lower carry-in stocks. World supply is forecast to increase slightly to 2.2 Mt. Canadian exports are forecast to remain stable, while carry-out stocks decrease to a negligible level. The average price, over all grades and markets, is forecast to be the same as in 2003-04, as lower Canadian supply offsets pressure from higher world supply.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

July 5, 2004

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----									
Dry Peas									
2000-2001	1,220	2.35	2,864	12	3,276	2,196	885	195	138
2001-2002	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004f	1,271	1.67	2,124	25	2,459	1,400	859	200	170-180
2004-2005f	1,400	1.93	2,700	25	2,925	1,550	975	400	135-165
Lentils									
2000-2001	688	1.33	914	5	999	475	268	256	295
2001-2002	664	0.85	566	6	828	478	219	131	320
2002-2003	387	0.91	354	9	494	320	119	55	390
2003-2004f	536	0.97	520	6	581	430	141	10	415-425
2004-2005f	740	1.05	780	5	795	520	155	120	340-370
Dry Beans									
2000-2001	162	1.65	268	40	348	227	71	50	465
2001-2002	175	1.70	298	42	390	263	97	30	725
2002-2003	219	1.89	414	40	484	297	117	70	445
2003-2004f	167	2.14	357	35	462	360	82	20	490-500
2004-2005f	170	1.88	320	35	375	285	80	10	550-580
Chick Peas									
2000-2001	283	1.37	388	5	408	179	199	30	410
2001-2002	467	0.97	455	12	497	147	210	140	380
2002-2003	154	1.01	156	9	305	104	141	60	300
2003-2004f	63	1.08	68	5	133	75	38	20	320-330
2004-2005f	55	1.09	60	10	90	45	40	5	330-360
Mustard Seed									
2000-2001	208	0.97	202	1	318	151	62	105	280
2001-2002	158	0.66	105	3	213	171	9	33	685
2002-2003	255	0.60	154	9	196	114	22	60	595
2003-2004f	328	0.69	226	2	288	145	43	100	385-395
2004-2005f	325	0.74	240	2	342	170	47	125	360-390
Canary Seed									
2000-2001	164	1.04	171	0	261	170	21	70	265
2001-2002	163	0.70	114	0	184	134	20	30	660
2002-2003	227	0.78	176	0	206	164	22	20	575
2003-2004f	243	0.91	220	0	240	175	30	35	345-355
2004-2005f	315	0.89	280	0	315	180	40	95	270-300
Sunflower Seed									
2000-2001	69	1.72	119	18	178	77	55	46	320
2001-2002	67	1.55	104	29	179	92	65	22	355
2002-2003	95	1.65	157	21	200	105	60	35	440
2003-2004f	115	1.30	150	17	202	105	62	35	395-405
2004-2005f	85	1.59	135	15	185	110	65	10	415-445
Buckwheat									
2000-2001	15	0.93	14	1	16	9	7	0	305
2001-2002	14	1.14	16	1	17	6	8	3	325
2002-2003	12	1.00	12	1	16	6	7	3	340
2003-2004f	9	1.11	10	1	14	6	7	1	350-360
2004-2005f	10	1.10	11	1	13	6	7	0	340-370
Total Pulse And Special Crops (c)									
2000-2001	2,809	1.76	4,940	82	5,804	3,484	1,568	752	
2001-2002	2,993	1.23	3,681	120	4,553	2,672	1,217	664	
2002-2003	2,399	1.16	2,788	130	3,582	1,738	1,231	613	
2003-2004f	2,732	1.35	3,675	91	4,379	2,696	1,262	421	
2004-2005f	3,100	1.46	4,526	93	5,040	2,866	1,409	765	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, July 5, 2004

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS										June 28, 2004									
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	June 28, 2004	FOB		194.00	N/A	168.00	193.00		513.00	287.00	145.00		900.00	520.00					515.00
BC	June 21, 2004			201.00	N/A	170.00	194.00		487.00	278.00	145.00		900.00	520.00					510.00
Calgary	June 28, 2004	FOB		170.00	N/A	146.00	194.00		508.50			200.00	950.00	555.00					475.00
AB	June 21, 2004			175.00	N/A	154.00	197.00		477.00			190.00	950.00	555.00					470.00
Saskatoon	June 28, 2004	FOB		175.00	151.50	135.00	180.00		511.50	N/A		220.00	N/A	555.00			186.67		525.00
SK	June 21, 2004			170.00	149.00	134.50	183.00		472.50	N/A		210.00	N/A	555.00			193.33		520.00
Winnipeg	June 28, 2004	FOB		172.50	140.00	133.50	168.00		495.50	N/A		290.00	1012.50	550.00					525.00
MB	June 21, 2004			172.50	140.00	133.50	171.00		453.50	N/A		290.00	1000.00	540.00					525.00
Thunder Bay	June 28, 2004	In-Store		197.50	N/A	153.50													
ON	June 21, 2004			196.50	N/A	150.45													
Lake Ports	June 28, 2004	On Board					153.02												
USA	June 21, 2004	Vessel					152.76												
Bay Ports	June 28, 2004	In-Store		235.00	230.00	170.00													
ON	June 21, 2004			230.00	230.00	180.00													
Chatham	June 28, 2004	Track					162.75												
ON	June 21, 2004						160.02												
Toronto	June 28, 2004	N/A																	
ON	June 21, 2004							FOB											
Hamilton	June 28, 2004	N/A							515.88	264.00		305.00	N/A	480.00	530.00	136.00		265.00	530.00
ON	June 21, 2004								466.27	246.00		305.00	N/A	480.00	530.00	136.00		285.00	550.00
Eastern	June 28, 2004	FOB					157.50												
ON	June 21, 2004						159.00												
London	June 28, 2004	FOB																	
ON	June 21, 2004																		
Port Colborne	June 28, 2004	FOB																	
ON	June 21, 2004																		
Cardinal	June 28, 2004	FOB																	
ON	June 21, 2004																		
Montreal	June 28, 2004			224.00	160.00	190.00	165.00		512.00	296.80	107.67	305.00	850.00	480.00	530.00	136.00		287.00	540.00
QC	June 21, 2004			216.00	160.00	176.90	172.50	FOB	456.20	250.58	117.67	305.00	850.00	480.00	540.00	136.00		267.00	540.00
Trois-Rivières	June 28, 2004	In-Store		223.80		187.00	180.38												
QC	June 21, 2004			226.90		181.90	192.67												
St. Jean QC	June 28, 2004	FOB		192.44	144.50	169.15	162.20		430.93										
(2)	June 21, 2004			189.48	145.16	169.32	161.90		414.77										
St. Hyacinthe QC	June 28, 2004	In-Store		222.60	N/A	199.33	171.57		510.71										
Quebec	June 21, 2004			216.63	N/A	201.52	173.82		452.00										
QC	June 28, 2004	Track		255.66	230.00	220.34	202.89	FOB	509.79	327.79		357.05		505.00					540.00
Truro	June 21, 2004			254.41	230.00	216.49	206.39		478.63	302.99		357.05		505.00					540.00
NS	June 28, 2004	Water		N/A	N/A	N/A	N/A												
Truro	June 21, 2004	& Truck		N/A	N/A	N/A	N/A												
NS	June 28, 2004	In-Store		N/A	N/A	N/A	190.15		552.95		297.50		1,025.00	N/A					
Hallifax	June 21, 2004			N/A	N/A	N/A	189.90		501.55		297.50		1,025.00	N/A					
NS																			

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close US\$1.00—CANS1,3487, closing date June 25, 2004
 Contact: Corinne Bruneau Statistical Clerk Telephone: (204) 983-9581 Fax: (204) 983-5524 Email: bruneau@agr.gc.ca
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.
 Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn.
 Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWR5 (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

June 28, 2004

PRAIRIE GRAINS

Selected Points	Price Basis		This week 28-Jun-04	Last week 14-Jun-04	Month ago 31-May-04	Year ago 30-Jun-03
From: Thunder Bay(WCE) (2)	In-Store	Wheat	195.00	190.00	188.00	153.00
(CBOT)		Oat	145.60	145.25	147.75	152.25
(Lethbridge)		Barley	150.00	157.00	158.00	140.50
To: Bayport, ON (1)	In-store	Wheat	218.61	213.61	211.61	176.61
		Oat	N/A	N/A	N/A	N/A
		Barley	177.39	184.39	185.39	167.89
Montreal, QC (1)	In-store	Wheat	223.03	218.03	216.03	181.03
		Oat	N/A	N/A	N/A	N/A
		Barley	182.31	189.31	190.31	172.81
Moncton, NB	Truck via Halifax	Wheat	245.25	240.25	238.25	203.25
		Oat	N/A	N/A	N/A	N/A
		Barley	206.50	213.50	214.50	197.00
Truro, NS	Truck via Halifax	Wheat	239.22	234.22	232.22	197.22
		Oat	N/A	N/A	N/A	N/A
		Barley	204.00	211.00	212.00	194.50
Halifax, NS (1)	In-store	Wheat	230.28	225.28	223.28	188.28
		Oat	N/A	N/A	N/A	N/A
		Barley	190.30	197.30	198.30	180.80
Stephenville, NL	Track / Truck via Sydney	Wheat	293.63	288.63	286.63	251.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 28-Jun-04	Last week 14-Jun-04	Month ago 31-May-04	Year ago 30-Jun-03
Corn						
From: US Lake Port	On Board Vessel		153.02	152.76	167.57	136.21
To: Montreal, QC (1)	In-store		172.06	171.80	186.61	155.25
From: Chicago (Mi)	Track		150.37	151.15	161.06	128.24
To: Montreal, QC	Track		179.23	180.01	189.92	157.10
From: Chatham, ON	Track		162.75	160.02	173.42	151.57
To: Montreal, QC	Track		186.62	183.89	197.29	175.37

Soymeal 48% Protein

From: Hamilton, ON			515.88	466.27	411.93	321.87
To: Montreal, QC	Track		540.21	490.60	436.26	346.20
Moncton, NB	Track		558.96	509.35	455.01	364.95
Truro, NS	Track		562.18	512.57	458.23	368.17
Stephenville, NL	Track / Truck via Sydney		610.81	561.20	506.86	416.80

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



Bi-weekly Bulletin

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INDIA

India is the world's second most populous country and one of the largest producers of grains and oilseeds. It is also the world's second largest consumer of vegetables. In recent years, India's production of foodgrains has met or exceeded its domestic consumption needs, except for wheat whose production has generally not kept up with consumption. Nevertheless, India continues to be a player in the highly competitive export wheat market. India is also Canada's most important export market for pulse and special crops. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for India's grains and oilseeds sectors and explores the implications for Canada's agriculture and agri-food industry.

BACKGROUND

Economy

India's economy is a mix of traditional small farms, larger and more technologically advanced farming operations, small handicraft enterprises, a wide range of modern industries, and various support services such as those in information technology. India has the world's second largest population, which now exceeds 1 billion people, but much of its population still lives below the poverty line. The situation has improved because India's economy has been growing about 6% annually since 1990, and poverty has been on the decline. Currently, about 25% of India's population lives below the poverty line, down from 35% in 1990.

Agricultural Industry Overview

The agricultural sector accounts for about one-quarter of India's economy and provides employment for about 60% of its labour force. India's agricultural sector faces some serious environmental problems including soil erosion, overgrazing, air pollution, desertification, and inadequate supplies of potable water due partially to runoff of agricultural pesticides.

India is highly dependent on its annual monsoons, and it receives most of its precipitation during the period between June and September. India's crop year is July-June and there are three main crop

seasons: *kharif* (June-September); *rabi* (October-March); and *zaid* (April-May). The major crops grown during the *rabi* season are wheat, barley, gram (chick peas), linseed, rapeseed, and mustard seed.

India's agricultural sector, despite some environmental challenges, continues to experience moderate success. Formerly highly dependent on food imports, India has moved beyond self-sufficiency and now has significant food reserves. This progress has been made possible by bringing more land into production, expanded irrigation capability, the use of higher yielding seed varieties, improved water management skills, and more efficient use of fertilizers and pesticides.

By managing its water resources over a period of 40 years, India has put 8 million hectares, or about one-third of its arable land, under irrigation. With help from the World Bank, India has also established over 500 hydrological stations to collect and transmit data which are used for flood forecasting and dealing with excessive rainfall.

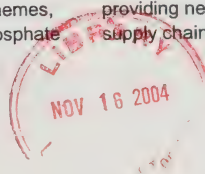
The use of fertilizer in India has increased dramatically during the past three decades due in part to efforts of the Indian Government. This has been accomplished in several ways, including establishing favourable pricing schemes, encouraging the distribution of phosphate

and potassium fertilizers, establishing quality control laboratories for fertilizer, and implementing a National Project on Development and Use of Bio-fertilizers. The Indian Government regards biologically based fertilizers to be a cost effective and renewable supplement to chemical fertilizers. Steps have also been taken to improve the availability of fertilizer in remote and previously inaccessible regions.

India established the Ministry of Food Processing in 1988 to encourage value-added activities for its agri-food sector. Using some of the latest in food processing technologies, the food processing sector has improved employment opportunities in rural areas and provided off-farm incomes. A contributing factor in India's move from food deficit to food surplus has been the work of the Indian Council of Agricultural Research (ICAR). Through its numerous research institutes and projects, ICAR has encouraged a rapid transfer of farm technology from the laboratory to the land.

Private Investment in Agriculture

India's agriculture and agri-food sector is well-positioned for steady growth in the next few years. With encouragement and support from government, agribusiness companies are looking at new ways to reach out to farmers and consumers, providing new technologies, investing in supply chains, and organizing food



retailers to handle more processed food products. The growth in private sector investment has been responsive to the growing demand for ready-to-eat food products as family incomes increase and more families move to urban centres.

In order to capitalize on the world's second largest population and to stimulate economic growth, the Indian Government is looking to improve its rural infrastructure and to develop better market efficiencies. In the past, transportation and distribution activities have been hampered by an inferior road system and unreliable sources of electricity. Gains in market efficiencies have been further limited by the generally high cost of credit. Also, a large number of intermediaries operating along the supply chain can add costs but little value, resulting in inflated prices for consumer products.

India's Trade Strategy

In March 2002, India's Ministry of Commerce and Industry announced a 5-year trade strategy, to accelerate India's economic growth, increase employment opportunities, and to alleviate poverty. As a result, many quantitative restrictions on exports have been removed and the same is being done for imports. Registration and packaging restrictions have been lifted, or are in the process of being lifted, and the government is providing more technical assistance to exporters. India, however, still subsidizes some exports of surplus food grains held by the Food Corporation of India (FCI).

Inspections of Imported Food Items

On June 16, 2004, India's Ministry of Commerce and Industry released a list of "high risk" food items whose imports would be subject to 100% sampling. The list includes edible oils and fats, pulses and pulse products, cereals and cereal products, milk powder, condensed milk, food colours, and food additives. Prior to this announcement, all food imports except perishable food items such as fruit, vegetables, meat and fish were subject to 100% sampling under the *Prevention of Food Adulteration Act, 1954*. The change in India's policy on sampling of food imports was largely in response to importers who complained about the high cost of 100% sampling, and the implication that the policy represented a non-tariff barrier to trade.

Currently, consignments of high risk food items imported through India's ports, airports, container depots, and custom stations are referred to Port Health Officers for testing. If the consignment fails the "clean" test report, Customs authorities ensure that the product is re-exported out of the country or destroyed under appropriate rules and regulations.

Food products that are not on the high risk list are subject to sampling procedures which are considerably less onerous, specifically: i) samples are drawn from the first five consecutive consignments of each food item being imported to ascertain any quality and health concerns; ii) if all consignments conform to prescribed standards, Customs then switches to checking 5% to 20% of the consignments; and, iii) the selection of food items for random testing takes into account the nature of the food product, its source or origin, and the track record of the importer. If a sample fails to meet prescribed standards, Customs reverts to 100% sample until such time that 5 consecutive samples meet prescribed standards.

Minimum Support Price

The most pervasive domestic support mechanism for India's agricultural sector is the Minimum Support Price (MSP), and this support mechanism has been in place since 1980. Intended to protect farmers against sharp declines in prices, the MSP was set up to act as a floor price, as recommended by the Commission on Agricultural Cost and Prices (CACP). However, in recent years the government has been setting MSPs at higher levels than those recommended by the CACP. This has caused market distortions for foodgrains and increased the burden on the government treasury. As a result, the Indian Government is making a deliberate effort to improve how they target food subsidies and to review pricing and procurement operations under the MSP to make sure they are more cost effective.

In December 2003, the Indian Government announced its MSPs for wheat and oilseeds for the 2004-2005 *rabi* marketing season, which began April 1, 2004. When the compensation farmers received due to drought is factored into 2003-2004 support prices, the MSP for wheat for the 2004-2005 marketing season is 6,300 rupees/tonne (INR/t) (CAN\$179/t), unchanged from 2003-2004.

However, the rapeseed MSP is 16,000 INR/t (CAN\$455/t), up from 13,400 INR/t (CAN\$381/t) in 2003-2004, and for safflower seed MSP is 15,050 INR/t (CAN\$428/t), up from 13,050 INR/t (CAN\$371/t) in 2003-2004.

Buffer Stocks

The Indian Government maintains buffer stocks to guard against serious food shortages arising from drought and other crop failures. Buffer stocks also enable the government to capitalize on domestic price increases by being able to sell off surplus stocks at higher prices than minimum levels prescribed by Indian Government policy. However, in recent years, the stocks held by government have exceeded minimum required levels thereby creating a phenomenon referred to as "a paradox of poverty amongst plenty", i.e., hungry citizens despite large government held stocks. The failure of this program has been attributed to a lack of purchasing power and/or inadequate arrangements for disposing of surplus stocks. As a result, the government is looking to implement more effective measures for disposing of surplus stocks and may even target buffer stocks at 6 Mt and 4 Mt for rice and wheat, respectively, which would be considerably lower than has been the case in recent times.

Expanding the

Role of the Private Sector

In January 2004, the Indian Government announced plans to expand the role of private traders in the marketing and export of grains. As of April 1, 2004, traders can procure grain directly from farmers rather than having to work through the state-run FCI. Private traders are now allowed to enter into production contracts with farmers and to set up storage and cleaning facilities. The FCI retains its primary roles of ensuring national food security, moving grain into deficit areas, and maintaining adequate buffer stocks. The expanded role of private traders is expected to increase farm incomes, improve the quality of the crops being produced, and increase private investment in India's grain handling and transportation system.

SITUATION AND OUTLOOK

India's production of major food grains for 2004-2005 is estimated at 209 million tonnes (Mt). This production is comprised

of 90 Mt of rice, 72 Mt of wheat, 33 Mt of coarse grains, and 14 Mt of pulse and special crops. Rice and wheat are by far India's most important crops and they are grown in rotation.

Over the last 50 years in India, rice yields have tripled and wheat yields have nearly quadrupled. In both cases, the increases are due to increased irrigation and the introduction of higher yielding varieties. About 220 new varieties of wheat were

released during this same period.

Wheat

India's wheat production, which is primarily made up of winter varieties, is concentrated in the north-western states and is typically produced under irrigation. Wheat production declined for a couple of years after reaching a record 76.4 Mt in 2000-2001, but is expected to recover in 2004-2005.

India's wheat consumption has generally exceeded production for the past few years and this is due in part to the growth in fast food products such as pizza, hamburgers and cakes. However, the bulk of wheat grown in India is of soft or medium hard varieties, which are better suited for baking traditional flatbreads such as *chapattis* and *rotis*.

India's domestic and import policies have encouraged the development of its domestic milling and baking industry to meet the demand for ready-to-eat food products. As a result of the wheat production shortfall and record exports during the past couple of years, carry-out stocks for 2003-2004 dropped to the lowest level since 1997-1998, despite a temporary decrease in human consumption in 2003-2004.

For 2004-2005, wheat **production** is forecast at 72.0 Mt, up from 65.1 Mt in 2003-2004. The increase is due largely to increased seeded area and production is expected to exceed domestic consumption for the first time since 2001-2002.

Consumption is forecast at 70.0 Mt, up from 68.4 Mt in 2003-2004. With the expected increase in production and lower exports, carry-out stocks are forecast at 7.5 Mt, up from 6.9 Mt in 2003-2004, and the first increase since 1998-1999.

Coarse Grains

India's coarse grains production, which is comprised primarily of corn, millet and sorghum, has fluctuated from year to year, depending on growing conditions. During the past five years, that production has ranged from 25.6 Mt to 35.0 Mt. In years of good rainfall, Indian farmers shift production out of coarse grains into higher-value crops such as rice, wheat and oilseeds. There has also been a shift out of coarse grain production as irrigation has been expanded into traditional coarse grains areas. Government policies have

also encouraged farmers to grow other crops, largely at the expense of coarse grains.

About one-quarter of India's total coarse grain production is used for animal feed. This includes almost half of India's corn production and 10% of each of millet and sorghum production.

For 2004-2005, coarse grains **production** is forecast at 33.0 Mt, down from the record 35.0 Mt in 2003-2004.

Consumption is also expected to decrease slightly, to 33.0 Mt, from the record 33.2 Mt in 2003-2004. **Carry-out stocks** are forecast at 1.7 Mt, down from 2.0 Mt in 2003-2004.

Oilseeds

The main oilseed crops grown in India are groundnuts, rapeseed, mustard seed, sesame, sunflower seed, safflower seed, nigerseed, cottonseed and soybeans. Since the late 1980s, India has focussed its efforts on increasing oilseed production to meet its growing demand for vegoils. Increased production has been accomplished by expanding seeded area, increasing irrigation, improving crop production techniques, and developing higher yielding varieties of oilseeds.

The share of oilseed crops is expected to increase as India moves toward the commercialization of its agricultural sector. This includes the removal of price supports that have long favoured the production of sugarcane, paddy rice and wheat. The expectation is that if pricing of cereal crops is left to market forces, there will be a shift out of rice and wheat production into non-cereal crops such as oilseeds. The expected shift will help accommodate the growing demand for healthful products such as soyoil and canola/rapeseed oil, rather than the less expensive palm oil, as living standards in India continue to improve.

For 2004-2005, total oilseed **production** is forecast at 26.1 Mt, down from the record 28.6 Mt in 2003-2004. The decrease is due largely to lower rapeseed and soybean production in response to record-high imports of palm oil from Malaysia and Indonesia and soyoil from South America.

India, as the world's second largest consumer of vegoils, has seen per capita

INDIA: WHEAT SUPPLY AND DISPOSITION

July-June crop year	2002 -2003	2003 -2004	2004 -2005
.....million tonnes.....			
Carry-in Stocks	23.0	15.7	6.9
Production	<u>71.8</u>	<u>65.1</u>	<u>72.0</u>
Total Supply	94.8	80.8	78.9
Food	73.7	67.8	69.4
Feed	0.6	0.6	0.5
Exports	<u>4.9</u>	<u>5.5</u>	<u>1.5</u>
Total Use	79.1	73.9	71.4
Carry-out Stocks	15.7	6.9	7.5

Source: USDA

INDIA: COARSE GRAINS SUPPLY AND DISPOSITION

July-June crop year	2002 -2003	2003 -2004	2004 -2005
.....million tonnes.....			
Carry-in Stocks	1.8	0.7	2.0
Production	<u>25.7</u>	<u>35.0</u>	<u>33.0</u>
Total Supply	27.4	35.7	35.0
Food	19.8	24.9	24.6
Feed	6.9	8.3	8.4
Exports	<u>0.1</u>	<u>0.5</u>	<u>0.3</u>
Total Use	26.8	33.7	33.3
Carry-out Stocks	0.7	2.0	1.7

Source: USDA

INDIA: VEGOIL SUPPLY AND DISPOSITION

July-June crop year	2002 -2003	2003 -2004	2004 -2005
.....million tonnes.....			
Carry-in Stocks	0.4	0.1	0.4
Production	4.7	6.9	6.5
Imports	<u>5.5</u>	<u>4.9</u>	<u>5.4</u>
Total Supply	10.7	11.8	12.2
Food	10.6	11.5	11.8
Carry-out Stocks	0.1	0.4	0.5

Source: USDA

consumption increase from about 4 kilogram (kg) per annum to 10 kg per annum in the past four decades. The increase in vegoil consumption is due partially to a reduction in import barriers which helped to lower domestic prices and improve the availability of vegoils. India's vegoil consumption for 2004-2005 is forecast at a record 11.8 Mt, up from the previous record of 11.5 Mt in 2003-2004.

India is the world's second largest producer of vegoils, but that production only meets about half of its annual requirements. The shortfall is made up primarily with **imports** of palm oil from Malaysia and Indonesia, which have averaged 3.7 Mt annually during the past five years. The remainder is made up with imports of soyoil, sunflower seed oil, and canola/rapeseed oil.

Individually, the volumes of the soyoil, sunflower seed oil and canola/rapeseed oil fluctuate considerably from year to year, depending on availability and prices, but the total volume of the three oils imported averages 1.5 Mt annually. Currently, canola/rapeseed is the smallest component of India's vegoil imports, but that is expected to increase with increased urbanization, higher disposable incomes, and a heightened awareness of the health benefits of canola/rapeseed oil.

Pulse and Special Crops

India is the largest producer of pulse crops in the world, and these crops are generally grown on marginal land that is not irrigated. It is also the world's largest consumer of pulse crops. The major pulse crops grown in India are gram, murg beans, urd, pigeon peas, dry peas, and lentils. Total **production** of pulse crops in

India has remained fairly constant at about 13 Mt during the past few years while **consumption** has averaged 15 Mt annually. The shortfall is made up with imports of pulse crops from countries such as Canada.

For the last three years, India has been Canada's most important export market for pulse and special crops, replacing Spain which had been Canada's biggest customer for four years. Canada's exports of pulse and special crops to India, in order of importance, are dry peas, chick peas, lentils, and mustard seed, and have averaged 0.43 Mt annually for the past five years.

Canadian exports of pulse crops to India peaked in 2000-2001, when Canada's exportable supplies hit a record 5.0 Mt. In the years that followed, Canadian exports dropped off significantly as consecutive years of drought affected crop yields and lowered Canada's exportable supplies. Crop conditions in Canada have since improved and exportable supplies have also increased significantly. For 2004-2005, Canada's exports of pulse crops to India are forecast at 0.45 Mt, up from 0.38 Mt in 2003-2004.

Canada's Prospects for Trade with India

Canada's major agricultural exports to India are pulse crops and, to a lesser extent, canola oil. In return, India exports horticultural products such as cucumbers, leguminous vegetables and onions to Canada.

Since the mid-1990s, India's agricultural policies have shifted away from self-sufficiency, and trade policy reforms

have improved market access. Despite those positive developments, prospects for increased trade with India may be limited for some commodities. With domestic price supports for wheat being held constant while prices support for oilseeds increase, the result could be higher domestic oilseed production than might have otherwise been experienced. In the vegoil market, any gains in market share by Canada may be limited by strong competition from palm oil producers in Malaysia and Indonesia, and soyoil exports from Argentina and Brazil.

By virtue of its huge population and economic strength, India presents great opportunities for future market development. India also remains an important market for Canadian exports of pulse crops.

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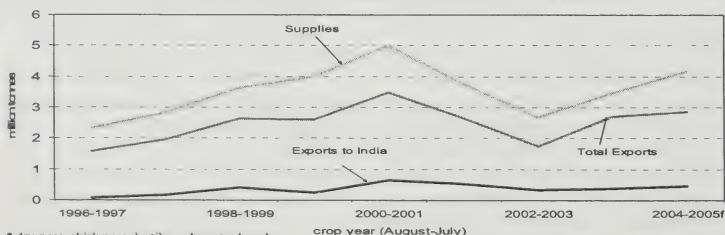
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CANADA: PULSE AND SPECIAL CROPS* SUPPLIES AND EXPORTS TO INDIA



* dry peas, chick peas, lentils, and mustard seed
f: forecast, AAFC, August 2004
Source: Statistics Canada

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Canadian Wheat Board, Market and Industry Services Branch (AAFC)



CANADA: GRAINS AND OILSEEDS OUTLOOK

August 6, 2004

For 2004-05, grain and oilseed production in Canada is forecast by AAFC to increase to 61.4 million tonnes (Mt), from 59.6 Mt in 2003-04. The production forecasts are based on Statistics Canada's June survey of seeded area and assumptions of near-trend yields and normal abandonment. In western Canada, production is expected to increase by 7% from 2003-04, to 47.2 Mt, 5% above the 10-year average, while eastern production is forecast to fall by 8%, to 14.2 Mt. Timely rains have improved soil moisture conditions in Saskatchewan and Alberta, although excess moisture delayed seeding in some eastern areas of western Canada. Crop development is normal to as much as three weeks behind normal due to the delayed seeding and cool temperatures so far this growing season. In eastern Canada, crop development has also been delayed by cool, wet conditions. It has been assumed that weather conditions will be normal for the harvest period, with the majority of the western crop reaching maturity before the first frost.

Total supplies in Canada for 2004-05 are forecast to increase due to a combination of higher production and larger carry-in stocks. Total exports are forecast to increase slightly to about 26 Mt. Total domestic usage and carry-out stocks are also forecast to increase. The average price for non-durum wheat is expected to be similar to 2003-04, while prices for all other grains and oilseeds are expected to decline. Prices in Canada are expected to be further pressured by the strong Canadian dollar. The major factors to watch for 2004-05 are growing conditions in the major grain trading regions, EU export policy, exports from the Black Sea region, import demand from China, ocean freight rates and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2004-05, production is forecast to increase by 5%, due to higher production in western Canada, with production in Ontario expected to decline by 25% due to a lower seeded area. Supplies are forecast at 24.2 Mt, 4% above 2003-04 but about 1.0 Mt below the 10-year average. Domestic use is projected to rise slightly, largely due to greater feed use, assuming a normal western grade distribution. Based on early harvest reports, Ontario wheat quality is reported to be below normal due to fusarium head blight. If Ontario milling-quality wheat production is less than domestic needs, imports could be higher than currently forecast. Most feed-grade Ontario wheat is expected to be exported. Total exports are forecast to increase by 7%, with higher western exports partly offset by lower exports from Ontario. Carry-out stocks are forecast to be unchanged at 4.0 Mt, well below the 10-year average of 5.3 Mt. The Canadian Wheat Board (CWB) Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$208/t, in-store Vancouver/St. Lawrence (I/S VC/SL), unchanged from 2003-04.

DURUM

Production is forecast to increase by 5%, despite lower seeded area, as moisture conditions are much-improved in the durum growing region, and yields are projected to rise by almost 20%. This, combined with higher carry-in stocks, will result in supplies rising by 6%, to 6.3 Mt, equal to the 10-year average. Despite increased supplies, exports are expected to remain stable at 3.4 Mt. World import demand for durum wheat is expected to remain weak due to large crops in the EU and North Africa, although quality problems in both regions may increase the need to import good quality durum for blending. Carry-out stocks are projected to increase by 17% to 2.1 Mt, vs. the 10-year average of 1.7 Mt. The CWB PRO for No.1 CWAD 11.5% protein is \$200/t, I/S VC/SL, \$25/t below 2003-04. A discount of \$8/t to No.1 CWRS 11.5% is projected, vs. a \$17/t premium for 2003-04, which would be the first such discount since 1990-91.

BARLEY

Production is forecast to increase by 5% due to higher yields, despite lower seeded area. Due to higher carry-in stocks and production, supplies are expected to rise by 10%. Feed use is projected to increase significantly, due to higher barley supplies in western Canada and increased shipments to eastern Canada. Malting barley exports are expected to rise, as import demand from China returns to normal. Feed barley exports are forecast to fall, due to increased competition from the EU-25, Australia and the Black Sea region. Carry-out stocks are forecast to increase. Off-Board feed barley prices are expected to decrease by about \$5/t from 2003-04 to \$130/t, due to increased domestic barley production and depressed US corn prices. The CWB July PRO for No.1 CW Feed Barley is \$127/t I/S VC/SL, vs. \$167/t for 2003-04. The PRO for Special Select Two Row designated barley is \$181/t vs. \$200/t for 2003-04, mainly due to higher supplies expected in Europe and Australia.

OATS

Production is forecast to rise marginally as higher yields more than offset lower harvested area. Supplies are expected to rise by 7% due mainly to higher carry-in stocks. Exports, mainly to the US, are expected to rise slightly. Driven by depressed US corn prices, oat prices are forecast to decline, with the expected price to be comparable to corn on a per tonne basis.

CORN

Production is forecast to fall by 14%, due to lower seeded area and yields. Corn imports, especially to eastern Canada, are expected to rise, as a result of lower domestic supplies. The feed use of corn is forecast to decline sharply as barley replaces some of the corn fed in Canada, especially in western Canada. Carry-out stocks are forecast to decline by over 10%. Chatham corn prices are forecast to drop by \$10/t to \$130/t, due to the prospect for record US corn production.

CANOLA

Production is forecast to increase by 12%, mainly due to higher expected harvested area and higher yields. This will be partly offset by lower carry-in stocks, with supplies forecast to increase by only 6%. Domestic crush and exports are expected to decline slightly, but remain at historically high levels. Carry-out stocks are forecast to increase by 73% from 2003-04. The average price is expected to fall to \$340-380/t, I/S VC, due to higher production of soybeans in the US and canola/rapeseed in Canada and the EU.

FLAXSEED (excluding solin)

Production is forecast to increase by 25%, due to higher expected harvested area and yields. Supplies are forecast to rise by only 17% due to lower carry-in stocks. Exports are forecast to remain stable on steady EU import demand. Carry-out stocks are expected to increase significantly, pressuring average prices, which are forecast to fall to \$320-360/t, I/S Thunder Bay.

SOYBEANS

Production is forecast to increase by 20%, to a near-record 2.7 Mt, due to higher expected harvested area and yields. This will be partly offset by lower carry-in stocks and imports, with supplies expected to rise by 10%. Domestic crush is expected to increase by 11%, on support from strong crush margins and ample supplies of raw soybeans. Exports are forecast to rise by 6% to a record high 0.95 Mt, due to strong Asian and EU import demand for food-grade soybeans. Prices are forecast to fall sharply, to \$270-310/t, I/S Chatham, due to lower US soybean prices related to higher world production, and the stronger Canadian dollar.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

August 6, 2004

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use (e)	Feed, Waste & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (f) \$/t
----- thousand metric tonnes -----											
Durum											
2002-2003	2,246	1.73	3,877	6	5,427	2,968	276	328	841	1,619	271.23
2003-2004p	2,459	1.74	4,280	1	5,899	3,400	250	239	699	1,800	225 *
2004-2005f	2,170	2.06	4,475	1	6,276	3,400	250	326	776	2,100	200 *
Wheat Except Durum											
2002-2003	6,590	1.87	12,321	173	17,678	6,223	2,796	3,738	7,348	4,107	241.00
2003-2004p	8,009	2.41	19,272	17	23,396	12,400	2,600	3,586	6,996	4,000	208 *
2004-2005f	8,025	2.52	20,225	20	24,245	13,200	2,600	3,625	7,045	4,000	208 *
All Wheat											
2002-2003	8,836	1.83	16,198	178	23,105	9,191	3,073	4,066	8,189	5,725	
2003-2004p	10,467	2.25	23,552	18	29,295	15,800	2,850	3,825	7,695	5,800	
2004-2005f	10,195	2.42	24,700	21	30,521	16,600	2,850	3,951	7,821	6,100	
Barley											
2002-2003	3,348	2.24	7,489	259	9,796	945	175	6,755	7,376	1,475	171.88
2003-2004p	4,446	2.77	12,328	45	13,847	2,400	320	8,407	9,147	2,300	136.00
2004-2005f	4,265	3.02	12,900	40	15,240	2,600	375	9,210	10,040	2,600	120-140
Corn											
2002-2003	1,283	7.01	8,999	3,904	13,958	308	2,385	10,121	12,540	1,111	145.34
2003-2004p	1,226	7.82	9,587	2,100	12,798	300	2,550	9,013	11,598	900	135-145
2004-2005f	1,140	7.19	8,200	2,600	11,700	150	2,650	8,065	10,750	800	120-140
Oats											
2002-2003	1,379	2.11	2,911	21	3,294	1,190	132	1,255	1,580	524	193.91
2003-2004p	1,575	2.34	3,691	20	4,235	1,450	170	1,640	1,985	800	137.00
2004-2005f	1,450	2.57	3,725	20	4,545	1,500	170	1,775	2,145	900	120-140
Rye											
2002-2003	77	1.74	134	2	185	52	38	43	103	30	139.67
2003-2004p	147	2.22	327	1	358	50	47	193	258	50	104.44
2004-2005f	165	2.12	350	2	402	80	48	197	262	60	90-110
Mixed Grains											
2002-2003	132	2.72	359	0	359	0	0	359	359	0	
2003-2004p	135	2.84	384	0	384	0	0	384	384	0	
2004-2005f	125	2.88	360	0	360	0	0	360	360	0	
Total Coarse Grains											
2002-2003	6,218	3.20	19,892	4,185	27,592	2,495	2,730	18,532	21,958	3,139	
2003-2004p	7,529	3.50	26,317	2,166	31,622	4,200	3,087	19,637	23,372	4,050	
2004-2005f	7,145	3.57	25,535	2,662	32,247	4,330	3,243	19,607	23,557	4,360	
Canola											
2002-2003	3,262	1.28	4,178	239	5,667	2,394	2,225	114	2,378	894	415.09
2003-2004p	4,689	1.42	6,669	240	7,803	3,750	3,300	158	3,503	550	391.00
2004-2005f	5,120	1.46	7,500	220	8,270	3,700	3,200	375	3,620	950	340-380
Flaxseed											
2002-2003	633	1.07	679	27	892	577	n/a	n/a	186	128	401.97
2003-2004p	728	1.04	754	20	903	600	n/a	n/a	203	100	385.00
2004-2005f ^{1/}	745	1.26	940	20	1,060	600	n/a	n/a	210	250	320-360
Soybeans											
2002-2003	1,024	2.28	2,336	651	3,159	723	1,763	419	2,291	145	307.55
2003-2004p	1,047	2.17	2,268	600	3,013	900	1,575	338	2,013	100	395-405
2004-2005f	1,200	2.27	2,725	500	3,325	950	1,750	400	2,250	125	270-310
Total Oilseeds											
2002-2003	4,919	1.46	7,193	917	9,717	3,695	n/a	n/a	4,855	1,168	
2003-2004p	6,464	1.50	9,692	860	11,719	5,250	n/a	n/a	5,719	750	
2004-2005f	7,065	1.58	11,165	740	12,655	5,250	n/a	n/a	6,080	1,325	
Total Grains And Oilseeds											
2002-2003	19,973	2.17	43,282	5,280	60,414	15,381	n/a	n/a	35,002	10,032	
2003-2004p	24,461	2.43	59,561	3,044	72,637	25,250	n/a	n/a	36,787	10,600	
2004-2005f	24,405	2.52	61,400	3,423	75,423	26,180	n/a	n/a	37,458	11,785	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver).

Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures);

Rye (No.2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* July 2004 CWB Pool Return Outlook (PRO)

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

p: preliminary estimates

f: Agriculture and Agri-Food Canada forecast, August 6, 2004

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

August 6, 2004

For 2004-05, total Canadian pulse and special crops seeded area increased by 13%, as higher seeded areas for dry peas, lentils, dry beans, canary seed and buckwheat more than offset lower areas for chick peas, mustard seed and sunflower seed. Statistics Canada's (STC) seeded area survey, conducted from May 19 to June 4, 2004 and released on June 29, provided seeded area estimates for the main producing provinces, but for some of the smaller producing provinces the area seeded has been estimated by AAFC. Crop development ranges from normal to as much as three weeks behind normal due to seeding delays and periods of cool weather in most growing areas. The delay in crop development increases the risk of frost damage in the fall. Although soil moisture is good in most areas, additional precipitation will be needed for later maturing crops, dry beans, sunflower seed and buckwheat, as well as late seeded fields of other crops. However, for the crops approaching maturity, dry weather is needed. Average yields are forecast to range from trend to slightly higher than trend. It has been assumed that precipitation and temperatures will be normal for the growing and harvest periods. It has also been assumed that abandonment, in general, and average quality will be normal. The dry pea harvest is expected to start in mid-August, and the lentil, chick pea, mustard seed and canary seed harvest is expected to start in late August.

For 2004-05, total pulse and special crops production is forecast to increase by 30%, from 2003-04, to 4.79 million tonnes (Mt). Total supply is expected to increase by only 21% to 5.29 Mt, because of lower carry-in stocks. Although exports and domestic use are forecast to increase due to the higher supply, strong demand and lower prices for most crops, carry-out stocks are also expected to increase. Average prices, over all grades and markets, are forecast to increase from 2003-04 for dry beans, chick peas and sunflower seed, decrease for dry peas, lentils, mustard seed and canary seed, and be the same for buckwheat. However, due to low world carry-in stocks, prices are expected to be very sensitive to any production problems. The main factors to watch in Canada are precipitation and temperatures during the growing and harvest periods, and crop development. Other factors to watch are exchange rates, and growing conditions in the major producing countries, especially the US, Australia and India.

DRY PEAS

For 2004-05, production and supply are forecast to increase, due to a 10% increase in seeded area and higher yields. Production is expected to increase for yellow, green and other types. World supply is forecast to increase by 11% to 12.1 Mt, mainly because of higher production in Canada, EU, US and Australia, but this is expected to be mostly offset by increased use in both the feed and food markets. Canadian exports and domestic use are forecast to increase due to the higher supply and lower prices. For exports, most of the increase is expected to be to the EU and Asia. For domestic use, most of the increase is expected for feeding hogs. Carry-out stocks are forecast to increase with a stocks-to-use (s/u) ratio of 17%. The average price, over all types, grades and markets, is forecast to decrease due to the higher supply.

LENTILS

Production and supply are forecast to increase, due to a 36% increase in seeded area and higher yields. However, abandonment is expected to be higher than normal due to excessive moisture during June in some of the growing areas. Production is expected to increase for large, medium and small green, red and other types. World supply is expected to increase by 9% to 3.46 Mt, due mainly to higher production in Canada, Australia and India. Canadian exports are expected to increase, as Canada's share of world supply increases and prices decrease. Carry-out stocks are forecast to increase, with a s/u of 17%. The average price, over all types and grades, is forecast to decrease due to the higher supply.

DRY BEANS

Production and supply are forecast to decrease, as a slight increase in seeded area is more than offset by lower yields and lower carry-in stocks. Production is expected to decrease for pinto, black, red kidney, cranberry, Great Northern, small red and pink beans, and be similar to 2003-04

for white pea beans. However, supply is forecast to decrease for all classes of beans because of lower carry-in stocks. Exports are forecast to decrease, due to lower supply, and carry-out stocks are expected to decrease to a low level. US production and supply are also expected to decrease due to a forecast 2% decrease in harvested area and lower yields. Total US and Canadian supply of nearly all major classes of dry beans is forecast to fall. The average price, over all classes and grades, is forecast to rise due to the lower supply.

CHICK PEAS

Production is forecast to decrease, due to an 8% decrease in seeded area. Production is expected to increase for the large and small kabuli types, but decrease for the desi type. However, supply is forecast to decrease for all types due to lower carry-in stocks. World supply is expected to decrease by 6% to 8.2 Mt. Canadian exports are forecast to decrease due to lower supply. Carry-out stocks are forecast to decrease to a low level. The average price, over all types, sizes and grades, is forecast to increase due to the lower supply.

MUSTARD SEED

Production is forecast to increase as a small decrease in seeded area is more than offset by higher yields. Production is expected to increase for the oriental type, decrease for the brown type and remain stable for the yellow type. However, supply is forecast to increase due to higher carry-in stocks. A significant portion of the carry-in stocks are expected to be low quality seed. In the US, production of the yellow type is expected to decrease. Canadian exports are expected to increase because of stronger demand and lower prices. Carry-out stocks are forecast to increase, with a s/u ratio of 56%. The average price, over all types and grades, is forecast to decrease due to the higher supply.

CANARY SEED

Production and supply are forecast to increase, due to a 29% increase in seeded area and higher carry-in stocks. World supply is forecast to increase by 31% to 370,000 t. Canadian exports are expected to increase, because of higher supply and lower prices. Carry-out stocks are forecast to increase, with a stocks-to-use ratio of 44%. The average price is forecast to decrease because of the higher supply.

SUNFLOWER SEED

Production and supply are forecast to fall, due to a 22% decrease in seeded area. Production is expected to decrease for both types, confectionary and oilseed. In the US, harvested area, production and supply are expected to decrease for both types. World supply is expected to decrease by 3% to 26.9 Mt. Canadian exports and domestic use are expected to increase, causing carry-out stocks to decrease to a low level. The average price, over both types and all grades, is forecast to increase due to the lower supply.

BUCKWHEAT

Production is forecast to increase, due to an increase in seeded area, while supply decreases due to lower carry-in stocks. World supply is forecast to increase slightly to 2.2 Mt. Canadian exports are forecast to remain stable, while carry-out stocks decrease to a negligible level. The average price, over all grades and markets, is forecast to be the same as in 2003-04, as lower Canadian supply offsets pressure from higher world supply.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

August 6, 2004

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----									
Dry Peas									
2000-2001	1,220	2.35	2,864	12	3,276	2,196	885	195	138
2001-2002	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004p	1,271	1.67	2,124	25	2,459	1,400	859	200	175
2004-2005f	1,400	2.11	2,950	20	3,170	1,700	1,020	450	130-160
Lentils									
2000-2001	688	1.33	914	5	999	475	268	256	295
2001-2002	664	0.85	566	6	828	478	219	131	320
2002-2003	387	0.91	354	9	494	320	119	55	390
2003-2004p	536	0.97	520	6	581	430	141	10	420
2004-2005f	680	1.14	775	5	790	520	155	115	340-370
Dry Beans									
2000-2001	162	1.65	268	40	348	227	71	50	465
2001-2002	175	1.70	298	42	390	263	97	30	725
2002-2003	219	1.89	414	40	484	297	117	70	445
2003-2004p	167	2.14	357	35	462	360	82	20	495
2004-2005f	170	1.88	320	35	375	285	80	10	540-570
Chick Peas									
2000-2001	283	1.37	388	5	408	179	199	30	410
2001-2002	467	0.97	455	12	497	147	210	140	380
2002-2003	154	1.01	156	9	305	104	141	60	300
2003-2004p	63	1.08	68	5	133	75	38	20	325
2004-2005f	55	1.09	60	10	90	45	40	5	350-380
Mustard Seed									
2000-2001	208	0.97	202	1	318	151	62	105	280
2001-2002	158	0.66	105	3	213	171	9	33	685
2002-2003	255	0.60	154	9	196	114	22	60	595
2003-2004p	328	0.69	226	2	288	145	48	95	390
2004-2005f	325	0.77	250	2	347	170	52	125	350-380
Canary Seed									
2000-2001	164	1.04	171	0	261	170	21	70	265
2001-2002	163	0.70	114	0	184	134	20	30	660
2002-2003	227	0.78	176	0	206	164	22	20	575
2003-2004p	243	0.91	220	0	240	175	30	35	345
2004-2005f	315	0.92	290	0	325	185	40	100	250-280
Sunflower Seed									
2000-2001	69	1.72	119	18	178	77	55	46	320
2001-2002	67	1.55	104	29	179	92	65	22	355
2002-2003	95	1.65	157	21	200	105	60	35	440
2003-2004p	115	1.30	150	17	202	105	62	35	405
2004-2005f	88	1.53	135	15	185	110	65	10	430-470
Buckwheat									
2000-2001	15	0.93	14	1	16	9	7	0	305
2001-2002	14	1.14	16	1	17	6	8	3	325
2002-2003	12	1.00	12	1	16	6	7	3	340
2003-2004p	9	1.11	10	1	14	6	7	1	355
2004-2005f	10	1.10	11	1	13	6	7	0	340-370
Total Pulse And Special Crops									
2000-2001	2,809	1.76	4,940	82	5,804	3,484	1,568	752	
2001-2002	2,993	1.23	3,681	120	4,553	2,672	1,217	664	
2002-2003	2,399	1.16	2,788	130	3,582	1,738	1,231	613	
2003-2004p	2,732	1.35	3,675	91	4,379	2,696	1,267	416	
2004-2005f	3,043	1.57	4,791	88	5,295	3,021	1,459	815	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

p: preliminary

f: forecast, Agriculture and Agri-Food Canada, August 6, 2004

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	August 9, 2004			
														GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA
Vancouver	August 9, 2004	FOB	172.00	N/A	143.00	167.00		334.00	188.50	115.00		900.00	520.00				495.00
BC (4) (7)	August 9, 2004	FOB	184.00	N/A	155.00	162.00		320.50	181.00	118.00		900.00	520.00				505.00
Calgary	August 9, 2004	FOB	140.00	N/A	120.00	165.00		318.00			200.00	950.00	555.00				470.00
AB (4)	August 3, 2004	FOB	162.00	N/A	132.00	170.00		368.00			210.00	950.00	555.00				480.00
Saskatoon	August 9, 2004	FOB	165.00	132.00	118.00	151.00		317.00	N/A		220.00	N/A	555.00		155.00		510.00
SK (4)	August 3, 2004	FOB	165.00	132.00	118.00	153.00		370.50	N/A		230.00	N/A	555.00		153.33		520.00
Winnipeg	August 9, 2004	FOB	162.50	140.00	119.50	141.00		298.00	N/A		290.00	1012.50	555.00				500.00
MB (4) (9)	August 3, 2004	FOB	169.00	140.00	127.50	141.00		351.50	N/A		290.00	1012.50	555.00				550.00
Thunder Bay	August 9, 2004	In-Store	167.50	N/A	131.75												
ON (8)	August 3, 2004	On Board	175.50	N/A	131.55												
Lake Ports	August 9, 2004					126.72											
USA (3)	August 3, 2004	Vessel			124.67												
Bay Ports	August 9, 2004	In-Store	218.00	230.00	164.00												
ON	August 3, 2004		218.00	230.00	164.00												
Chatham	August 9, 2004	Track				141.26											
ON	August 3, 2004					138.94											
Toronto	August 9, 2004	N/A					FOB				275.00	N/A	510.00	450.00	126.00		490.00
ON (5)	August 3, 2004										290.00	N/A	510.00	450.00	126.00		510.00
Hamilton	August 9, 2004	N/A						309.97	146.70								
ON	August 3, 2004							320.55	163.80								
Eastern	August 9, 2004	FOB				133.50											
ON	August 3, 2004					129.00											
London	August 9, 2004	FOB												450.00	126.00		
ON	August 3, 2004													450.00	126.00		
Port Colborne	August 9, 2004	FOB								113.00				450.00	126.00		
ON	August 3, 2004									115.00				450.00	126.00		
Cardinal	August 9, 2004	FOB												450.00	126.00		
ON	August 3, 2004													450.00	126.00		
Montreal	August 9, 2004		220.00	165.00	190.00	150.00		333.12	197.84	117.33	275.00	850.00	483.00	450.00	126.00		268.00
QC (5)	August 3, 2004		220.00	175.00	190.00	150.00	FOB	336.98	194.34	118.33	290.00	850.00	480.00	450.00	126.00		268.00
Trois-Rivières	August 9, 2004	In-Store	217.90		183.50	172.26											
QC	August 3, 2004		221.50		183.10	167.18											
St. Jean QC (2)	August 9, 2004	FOB	193.61	139.93	160.03	143.74		339.67									
QC	August 3, 2004		195.76	143.07	163.68	141.03		357.82									
St. Hyacinthe QC	August 9, 2004	In-Store	204.97	N/A	197.46	147.73		347.23									
Quebec	August 3, 2004		210.50	N/A	197.69	146.34		354.24									
QC	August 9, 2004	Track	225.26		184.64	177.01		364.52	217.85		342.05		525.00				475.00
Truro	August 9, 2004		225.26		184.64	176.64	FOB	382.72	217.85		349.55		525.00				510.00
NS	August 3, 2004																
Truro	August 9, 2004	Water & Truck	N/A	N/A	N/A	N/A											
NS	August 3, 2004	In-Store	N/A	N/A	N/A	165.85		372.55		297.50		1,000.00	N/A				
Halifax	August 9, 2004																
NS (6)	August 3, 2004		N/A	N/A	N/A	164.48		377.25		297.50		1,000.00	N/A				

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close **US\$1.00--CANS1.3098**, closing date August 6, 2004
Contact: Corinne Bruneau Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: bruneau@agr.gc.ca
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn.
 Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast (3% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

August 9, 2004

PRAIRIE GRAINS

Selected Points	Price Basis		This week 9-Aug-04	Last week 26-Jul-04	Month ago 12-Jul-04	Year ago 11-Aug-03
From: Thunder Bay(WCE) (2)	In-Store	Wheat	160.00	175.00	190.00	126.30
(CBOT)		Oat	132.00	125.75	134.00	138.00
(Lethbridge)		Barley	125.00	133.00	142.00	123.00
To: Bayport, ON (1)	In-store	Wheat	183.61	198.61	213.61	149.91
		Oat	N/A	N/A	N/A	N/A
		Barley	152.39	160.39	169.39	150.39
Montreal, QC (1)	In-store	Wheat	188.03	203.03	218.03	154.33
		Oat	N/A	N/A	N/A	N/A
		Barley	157.31	165.31	174.31	155.31
Moncton, NB	Truck via Halifax	Wheat	210.25	225.25	240.25	176.55
		Oat	N/A	N/A	N/A	N/A
		Barley	181.50	189.50	198.50	179.50
Truro, NS	Truck via Halifax	Wheat	204.22	219.22	234.22	170.52
		Oat	N/A	N/A	N/A	N/A
		Barley	179.00	187.00	196.00	177.00
Halifax, NS (1)	In-store	Wheat	195.28	210.28	225.28	161.58
		Oat	N/A	N/A	N/A	N/A
		Barley	165.30	173.30	182.30	163.30
Stephenville, NL	Track / Truck via Sydney	Wheat	258.63	273.63	288.63	224.93
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 9-Aug-04	Last week 26-Jul-04	Month ago 12-Jul-04	Year ago 11-Aug-03
Corn						
From: US Lake Port	On Board Vessel		126.72	124.67	130.85	130.98
To: Montreal, QC (1)	In-store		145.76	143.71	149.89	150.02
From: Chicago (Mi)	Track		116.41	114.21	123.13	126.59
To: Montreal, QC	Track		145.27	143.07	151.99	155.45
From: Chatham, ON	Track		141.26	138.94	148.18	144.28
To: Montreal, QC	Track		165.13	162.81	172.05	168.08

Soymeal 48% Protein

From: Hamilton, ON			309.97	320.55	447.31	287.15
To: Montreal, QC	Track		334.30	344.88	471.64	311.48
Moncton, NB	Track		353.05	363.63	490.39	330.23
Truro, NS	Track		356.27	366.85	493.61	333.45
Stephenville, NL	Track / Truck via Sydney		404.90	415.48	542.24	382.08

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

Bi-weekly Bulletin

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PROFILE OF THE CANADIAN OILSEEDS SECTOR: PART 1

The oilseeds sector in Canada is a major contributor to the economy of Canada in terms of value-added and employment. Total direct economic benefits of the industry to the Canadian economy were \$3.2 billion (G) in 2003. In western Canada, canola and flaxseed have traditionally been the major oilseeds but the importance of soybeans and mustard seed has been steadily increasing. In eastern Canada, soybeans continue to be the dominant oilseed where the role of identity preservation has increased significantly. This issue of the *Bi-weekly Bulletin* provides an overview of the production sub-sector and the processing sub-sector. A subsequent issue will examine the marketing sub-sector and the organizational structure of the industry.

The Canadian oilseeds sector, consisting of canola, soybeans, flaxseed, sunflower seed, mustard seed and safflower seed, can be divided into three distinctive components. These are: (a) production - covering farm production and farm storage; (b) processing - covering crushing, refining and further processing for the production of oils, protein meals and finished products; it includes bottling and packaging operations; and (c) marketing - covering trade, distribution, exporting and hedging of oilseeds and their products.

Oilseed production in Canada is regional

Canola (spring types), flaxseed (including solin), sunflower (oil and confectionery types) and mustard seed are grown mainly in the three Prairie Provinces (Manitoba, Saskatchewan and Alberta) and in the Peace River Region of British Columbia. A small acreage of canola is grown in Ontario. Soybeans, in Ontario, and to a lesser degree Quebec and Manitoba, are grown mostly for crushing but significant amounts are also destined for the Asia soyfood market. In Quebec, Manitoba and the Maritime provinces, some soybeans are also

grown and roasted on farms for whole bean livestock feed.

The sustained Canadian research commitment to develop new and improved varieties may make the production of oilseed crops less regional. The introduction of canola varieties suitable to conditions in eastern Canada and more soybean varieties suitable for Quebec and Manitoba are evidence of this trend. The use of genetic modification techniques to expand the diversity and speed up the development of improved cultivars has become wide spread. Canada is the global center for canola breeding.

Canadian oilseed (canola, soybeans, flaxseed) production reached a high of 12.6 million tonnes (Mt) in 1999 due to excellent yields. Drought and low yield for 2001 and 2002 reduced production to 7.4 Mt and 7.2 Mt respectively. In 2003, oilseed production rebounded

to 9.7 Mt due to an increase in seeded area and slightly higher yields.

CANADA: OILSEED PRODUCTION BY OILSEED AND PROVINCE

calendar year	2002	2003	2004
.....thousand tonnes.....			
CANOLA			
Saskatchewan	1,655.6	2,676.2	3,560.7
Alberta	1,020.6	2,154.6	2,812.3
Manitoba	1,428.8	1,735.0	1,757.7
B.C.	15.9	38.6	36.3
Western Canada	4,120.9	6,604.4	8,167.0
Ontario	44.2	40.8	47.6
Quebec	13.0	24.0	29.0
Eastern Canada	57.2	64.8	76.6
CANADA	4,178.1	6,669.2	8,243.6
SOYBEANS			
Ontario	1,905.1	1,728.2	2,286.1
Quebec	315.0	385.0	500.0
PEI	6.7	5.4	6.9*
Eastern Canada	2,226.8	2,118.6	2,793.0
Manitoba	108.9	149.7	137.0*
CANADA	2,335.7	2,268.3	2,930.0
FLAXSEED			
Saskatchewan	444.5	533.4	711.2
Manitoba	214.6	195.6	182.9
Alberta	20.3	25.4	26.7
CANADA	679.4	754.4	920.8
CANADA	7,193.2	9,691.9	12,094.4
All provinces			

Source: Statistics Canada except * which is AAFC

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Canada

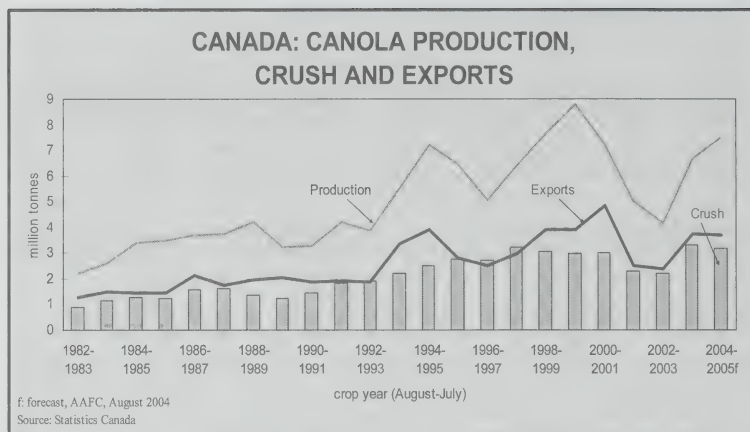
Producers have the option of either marketing their oilseeds directly to a processing (crushing) firm or to move them into the elevator system from where it may go to domestic or export customers. The primary and inland elevator system has traditionally gathered supplies of oilseeds for the export markets but in the last few years has become a supplier to the growing processing sector.

Canola is the dominant oilseed in western Canada

In the 1970s, canola seed production and utilization were subject to considerable fluctuations from year to year. During the 1980s, such fluctuations decreased and production took on a growth trend. However, seed production remains dependent on weather conditions, crop rotation requirements and international commodity prices, while domestic utilization is dependent on crushing margins (the difference between the cost of seed and the value of canola oil and meal). A positive combination of all these factors led to record production of 8.8 Mt in 1999. Unfavourable weather conditions in 2001 and 2002 led to a reduced production of 4.9 Mt and 4.2 Mt respectively. For 2003, production rebounded to 6.7 Mt due to more favourable weather conditions and a sharply higher seeded area.

There are approximately 60,000 producers of canola in Canada. Canola is a strong second to wheat as Canada's most valuable crop. New varieties offer the potential to expand production into drier regions of Western Canada. In addition, varieties with special traits, developed using biotechnology, offer the possibility of significant yield increases. Canola seed moves to the export market through an extensive handling and processing chain.

Domestic processing of canola seed experienced a dramatic expansion in the 1990s. There was extensive corporate restructuring and consolidation while at the same time crushing facilities were modernised



and expanded. In the 2003-2004 marketing year, a record 3.3 Mt of canola was crushed on support from extremely high crush margin. A slightly smaller volume is expected to be crushed for the 2004-2005 crop marketing year.

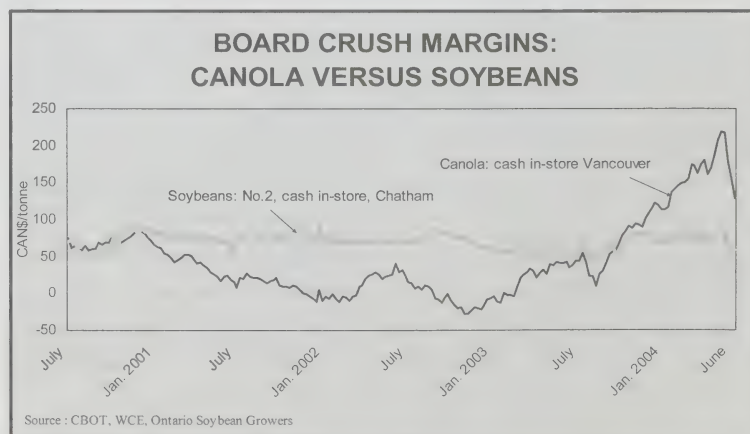
Soybeans are the dominant oilseed in eastern Canada

By 1950, soybeans had become a major cash crop in Ontario. During the 1980s, soybeans were introduced into Quebec, Manitoba and the Maritime Provinces as a source of livestock feed. Due to the presence of enzymes, soybeans must be roasted before being fed to livestock. In Quebec, whole roasted soybeans have become a viable alternative feed source. Research is underway to reduce or eliminate the need to roast

whole soybeans before feeding.

In recent years, Canadian plant breeders have developed varieties of soybeans with the qualities required by specific soyfood markets of the Asia Pacific region. In both Ontario and Quebec, food quality varieties of soybeans, mostly known as Special Quality White Hilum Beans, are grown to be exported for further processing into tofu, *natto*, *miso* and *tempeh* in Asian markets.

Canadian soybean production has increased sharply from the late 1970s when up to 60% of Canadian soybean requirements were imported. Today, domestic production is enough to supply the Canadian demand for crushing into soyoil and soymeal, as well as leaving a surplus of



approximately 0.7-0.9 Mt for export. Over 80% of soybean exports are identity preserved which are sold on world market for a substantial premium. Despite the increase in soybean crush, Canada remains a net importer of soy products. In 2002-2003, Canada imported about 0.13 Mt of soyoil and about 1.0 Mt of soymeal.

Flaxseed's role in health food market has increased

Flaxseed was the first oilseed to be widely grown in western Canada and was used as a "break crop" in virgin soil. Today, the unique properties of flaxseed differentiate it from other oilseeds in the industrial, human food and livestock feed markets. Currently, industrial uses of linseed oil are the dominant source of world demand for flaxseed, with human food requirements a distant second.

Most countries, other than those in North America, refer to flaxseed as linseed. In Europe, flaxseed refers to the tall, long fibre varieties of the crop produced for the linen textile industry, while linseed designates the varieties used for oil and livestock meal. In Canada, the vast majority of flaxseed produced is of the short fibre oilseed varieties. The Canadian flaxseed crop is mainly grown in the western provinces of Alberta, Saskatchewan and Manitoba. Canada also grows solin, a type of flaxseed that has a fatty acid profile similar to sunflower oil.

Demand for flaxseed has also undergone major shifts over the last century. On the industrial side, the demand for linseed oil has dropped significantly since the 1950s largely due to the introduction of new technological developments, such as the increased use of water based paints and petroleum based floor coverings. However, in the late 1990s, the trend towards environmentally friendly and health oriented products began to open new opportunities for the flaxseed industry. The biodegradability and non-allergenic characteristics of linoleum, along with quality improvements, has seen the

resurgence of demand for linoleum in some parts of Europe.

Demand for flaxseed is also growing in several key niche markets, including the North American baking industry and the egg industry. The egg industry is feeding laying hens flaxseed based rations that effectively improves the dietary characteristics of the eggs. Hens fed a flaxseed based diet produce eggs with an improved omega-3 fatty acid profile. Feeding trials are being held for hogs and cattle to ascertain the benefits of flax as a feed ingredient. Health professionals have indicated the omega-3 fatty acids have benefits for humans.

Like the seed, flax straw has a diverse range of uses from raw material for specialty pulps and oriented strand board, or as an alternate fuel source. From a further value added perspective, flax fibre can be used in geotextiles, absorbent products, insulation and lastly in textiles (e.g. linen blend products).

Other oilseeds are also important

Sunflower seed is mainly grown in southern Manitoba and south-eastern Saskatchewan. However, it has not become a major source of vegoil in Canada. Canada produces both confectionery and oilseed types of sunflower seed, and is a competitive partner in the growing international market for this special crop. The hardy sunflower has a wide range of uses, from the confectionary and baking industries, to the birdseed industry, to the animal feed industry. In 1997, production of sunflower seed was only 65 thousand tonnes (kt) but the volume of sunflower seed production reached 157 kt in 2002.

Production dropped in the mid-1990s because the Altona, Manitoba plant ended crushing. It has been increasing since then due to increased processing for bird seed and food uses.

Mustard seed production is concentrated in the Prairie Provinces, particularly in Saskatchewan, which accounted for approximately 80% of mustard seed production in 2002. Production averaged 230 kt throughout the 1990s. Production declined in 2001 to 105 kt due to reduced seeding and negative weather conditions. Seeded acreage returned to normal in 2003 however production was only 226 kt, being once again affected by unfavourable weather. Canada is the world's single largest exporter of mustard seed.

Safflower seed is grown in all three Prairie Provinces but over the past few years, production has ranged from 1 to 8 kt. Canadian safflower seed is used for bird seed. Safflower oil contains more polyunsaturates than any other oil and has a high smoke point (which makes it excellent for deep frying). Safflower oil is not as nutritionally beneficial as some of the other oils, as it lacks vitamin E.

CANADA: OILSEED PROCESSING PLANTS

	Canola	Soybeans	Flaxseed
ADM Company			
Windsor, ON	■	■	
Lloydminster, AB	■		
Bunge Canada			
Hamilton, ON	■	■	
Altona, MB	■		■
Harrowby, MB	■		■
Nipawin, SK	■		
Fort Saskatchewan, AB	■		
Canbra Foods Ltd.			
Lethbridge, AB	■		
Cargill Limited			
Clavet, SK	■		

Source: industry

Crush capacity in Canada remains stable

The oilseed processing industry in Canada currently consists of nine plants owned by four companies that receive and crush oilseeds to obtain crude and crude degummed vegoils (from canola, soybeans, and flaxseed) as well as protein meals for animal feed. Annual crush capacities are 4.0 Mt of canola, 2.0 Mt of soybeans, and 1.0 Mt of flaxseed.

OILSEED PROCESSING PLANTS

In 2001, the latest year for which data are available, the Canadian oilseed industry was suffering from reduced production due to drought. In 2001, the oilseed crushing industry employed 1,004 people, down 6% from 1997. In 2001 the oilseed processing industry purchased materials and supplies, mainly oilseeds for processing, valued at \$1.4G, down by 29% from 1997. The total value of shipments was \$1.6G in 2001, down 33% from 1997. The value-added component for the industry was \$172M in 2001, down 61% compared to 1997.

There are two main methods of processing oilseeds in Canada

To extract the oil from the meal there is the **pre-press solvent extraction**, which is used for higher oil content oilseeds such as canola, sunflower seed and flaxseed and the **direct solvent extraction method** which is used for lower oil content oilseeds such as soybeans. Except for the presence of the mechanical expeller in the pre-press solvent extraction method, the steps followed are basically the same.

In pre-press solvent extraction, the seeds are first flaked and heated for easier oil extraction, and then passed through the screw press. This squeezes out a large proportion of the oil, which is routed to a settling tank. The remaining oil cake is reground and sent to the solvent extractor, in which a solvent dissolves the oil from the meal. The oil is separated from the solvent by distillation. The solvent is recycled and the crude oil is sent on to be refined. Most Canadian canola oil is processed this way.

Oil extraction using the direct solvent method is essentially the same as described above, except that after the initial flaking and heating operation, the material is sent directly to the solvent extractor.

Canada crushes mainly canola and soybeans

The two major oilseeds processed in Canada are canola and soybeans, with small amounts of flaxseed also being crushed. In 2003, canola crushings accounted for 60% of total oilseed crushings, with soybean crushings accounting for 38%.

In 2003, Canadian oilseed crushings were 4.5 Mt, down 9% from the record set in 1998. Canola crushings were 2.7 Mt in 2003, down 21% from the record crush of 3.4 Mt in 1998. Soybean crushings in 2003 totalled a near record 1.7 Mt. In 2003, Canada accounted for 8% of total world rapeseed/canola crushings, compared with 4% for flaxseed and 1% for soybeans.

Oil and meal are the main products

The oil and meal contents of the different oilseeds vary considerably. Canola is crushed mainly for its oil while soybeans are processed primarily for the meal.

Growing conditions can influence these percentages from year to year. Differences in oil and meal content have a marked influence on the oil extraction processes most suitable for each oilseed and on the marketing of the resulting products. Each year, the Canadian Grain Commission (CGC) analyses these crops for their quality factors. CGC quality data is usually available a month or two after harvest.

Canada produces mostly canola oil and soyoil

In 2003, total vegoil production in Canada was 1.5 Mt, down 13% from the record of 1.8 Mt set in 1998. In 2003, canola oil accounted for 74% of total vegoil production and soybean oil for 21%.

In 2003, 1.0 Mt of vegoils were used domestically in Canada, up 1% from the record domestic use in 2000. Canola oil accounted for 34% of total domestic use of vegoils in 2003, compared with 42% for soybean oil, 4% for sunflower oil and 3% for linseed oil.

Canola, soybean and sunflower oils are generally refined to produce salad and cooking oils, shortening oils, and oils for margarine, while linseed oil is used for industrial purposes such as in paint manufacturing. Refining removes the natural impurities to improve colour, flavour and shelf life.

CANADA: OILSEEDS PROCESSING SECTOR VALUE-ADDED

	1999	2000	2001
Number of Employees	1,106	1,114	1,004
.....million dollars.....			
Salaries and Wages	51	46	48
Fuel and Electricity	31	42	56
Materials	1,753	1,510	1,414
Value of Shipments	2,023	1,736	1,647
Value-Added	232	172	172

Source: Statistics Canada, Oil World

CANADA: OIL AND MEAL OUTPUT

	2003	Oil	Meal
		.....percent.....	
Canola	41.8	62.4	
Soybeans	18.1	77.6	
Flaxseed	41.0	63.5	
Sunflower	42.1	35.5	

Source: CGC

CANADA: OILSEED CRUSHINGS

calendar year	2001	2002	2003
	.....thousand tonnes.....		
Canola	2,700	2,134	2,672
Soybeans	1,698	1,722	1,716
Flaxseed	77	76	72
Total	4,475	3,932	4,460

Source: Statistics Canada, Oil World

Oil refining

Total refining capacity in Canada is 1.2 Mt annually. During the refining process, the crude oil may be degummed, a process which removes the hydrateable gums by a water-degumming operation. The gum by-products are used in the manufacturing of soap or as a food supplement, or are further processed to extract lecithin. Afterwards, either the crude or the crude degummed oil is treated with phosphoric acid and mixed with sodium hydroxide in a continuous centrifugal alkali-refining operation. The refined oil is then bleached to remove colour pigments and chlorophyll and is winterized if necessary. This last step prevents clouding when the oil is cooled. Hydrogenation is an optional process that is used to adjust the consistency of the oil according to the physical properties desired, i.e. degree of hardening required by final products such as margarine and shortening.

The bleached oil, hydrogenated oil or various combinations of these oils are then deodorized to remove flavours and odours. The resulting oils are used to produce finished products such as salad/cooking oils, margarine and shortening.

CANADA: REFINING PLANTS

ADM Company
Windsor, ON
Lloydminster, AB

Bunge Canada
Montreal, QC
Toronto, ON
Altona, MB
Harrowby, MB
Nipawin, SK
Wainwright AB

Canbra Foods Ltd.
Lethbridge, AB

Casco Inc.
Cardinal, ON

Unilever Bestfoods
Rexdale, ON

Source: industry

The estimated Canadian deodorizing capacity is 929,000 tonnes per year. Deodorized oils in Canada are primarily utilized in three main products: margarine oil, shortening oil and salad oil. Canola oil has the overwhelming market share (about 80%) of the salad oils and also is the leading source

(57%) of shortening oil. Soy oil predominates in the production of margarine oil. This utilization trend is quite stable.

Canola oil is a healthy oil

For the salad oil market, canola oil's nutritional properties allow it to dominate the market. Of the commercially available edible oils, canola oil contains the lowest levels of saturated fat (6%), the second highest level of monounsaturated fats (58%) and the highest level of the essential fatty acid, linoleic acid (10%). In 1986, canola oil was awarded GRAS (Generally Recognized As Safe) status in the United States (US), opening a potentially large market for the oil. In the next year, a pure canola oil brand, Puritan Oil, won the "Food Product of the Year" from the American Health Foundation. The following year, this brand was recognized by the American College of Nutrition who granted its "Product Acceptance Award."

Canada develops specialty oils which require no hydrogenation

On July 11, 2003, the US Food and Drug Administration announced that it would amend its regulations on nutrition labelling to regulate that trans-fatty acids be declared in the nutrition labelling of conventional foods. This regulation would become effective January 1, 2006. In Canada, this labelling requirement comes into effect January 1, 2005. In response to this regulation and the perceived market opportunities it may create, the Canadian oilseed industry is embarking on a multi-prong initiative. The canola producers and processors are promoting the low-saturated fat content of current conventional varieties, while private canola breeding companies in Canada are breeding high-oleic, low-linolenic, canola varieties. These specialty oil varieties do not require hydrogenation, a process which partially hardens a vegetable oil and creates trans-fats. The high-oleic, low-linolenic canola oil can also be used in deep frying allowing canola oil to diversify out of the salad or cooking oil segment of the

edible oil market where it is now mostly consumed.

Protein meal is a major livestock feed ingredient

Total protein meal production in Canada in 2003 was 3.1 Mt versus the record of 3.4 Mt in 1998. Historically,

CANADA: VEGOIL PRODUCTION

calendar year	2002	2003	2004f
.....thousand tonnes.....			
Canola	897	1,103	1,100
Soybean	313	312	340
Linseed	26	25	25
Other	41	43	35
Total	1,277	1,483	1,500

f: forecast, AAFC, July 2004

Source: Statistics Canada, Oil World

CANADA: VEGOIL USE

calendar year	2002	2003	2004f
.....thousand tonnes.....			
Soybean	396	413	425
Canola	349	338	350
Sunflower	50	43	50
Linseed	25	26	25
Other	154	173	150
Total	974	993	1,000

f: forecast, AAFC, July 2004

Source: COPA

CANADA: VEGETABLE PROTEIN MEAL PRODUCTION

calendar year	2002	2003	2004f
.....thousand tonnes.....			
Canola	1,330	1,670	1,670
Soybean	1,330	1,355	1,465
Linseed	48	46	45
Total	2,708	3,071	3,180

f: forecast, AAFC, July 2004

Source: Statistics Canada, Oil World

CANADA: VEGETABLE PROTEIN MEAL USE

calendar year	2002	2003	2004f
.....thousand tonnes.....			
Soybean	2,295	2,327	2,400
Canola	586	546	550
Linseed	41	24	25
Sunflower	21	22	25
Total	2,943	2,919	3,000

f: forecast, AAFC, July 2004

Source: COPA

Canada was a net importer of protein meal but has exported significant volumes of protein meal in recent years.

In 2003, a near record 2.9 Mt of meal was used domestically in Canada, down 2% from the previous record of 3.0 Mt in 2001. Canola meal accounted for 19% of total domestic use of vegetable protein meals in 2003, compared with 80% for soymeal.

Value-added benefits from the sector are high

The oilseed crushing industry makes a large and positive contribution to the Canadian economy - it is a processing industry and as such it provides enhanced strength to the economy through value-added contributions and the financial multiplier effect. The direct economic benefits of the oilseed processing industry to the economy arise from: farm returns on seed purchases; value-added from crushing; value-added from refining, packaging and retailing; and an estimated multiplier effect.

The value of the processing industry as a domestic market outlet for producers was approximately \$1.5G in 2003.

Calculations based on Statistics Canada's data indicate that the value-added benefit of a crushing enterprise alone is equal to about \$50 per tonne (t), while the benefit from refining, packaging and retailing is approximately \$100/t. Based on a 2003 crush of 4.5 Mt, the value-added benefit of the crushing industry was \$225M in 2003. In addition, the amount of crude canola, soybean and sunflower oils which were further refined in Canada in 2003 (0.9 Mt) contributed \$320M to the processing industry. The total value-added benefit of crushing and refining was, therefore, approximately \$545M in 2003.

Beyond the value-added benefit is the multiplier effect created by expenditures on oilseed products; this is estimated by economists to be 3; \$2 of additional activity generated for each \$1 of value-added activity at the processing level. Thus, a multiplier effect of \$1.1G can be added to the estimated \$545M value-added figure for 2003. Total direct economic benefits of the industry to the Canadian economy, as discussed above, were \$3.2G in 2003.

In addition to the direct economic benefits, the development of domestic

supplies of edible oils and protein meals contributes positively to the Canadian balance of payments by reducing import requirements. This positive contribution was estimated to be, in 2003, the equivalent of \$1.2G. Exports of oils and meals also yield a positive contribution to the Canadian balance of trade. In 2003, this contribution was equal to \$1.1G. The total contribution to the Canadian balance of payments by the processing industry was \$2.3G in 2003.

*Originally published in the
July 2004 "Oilseeds Sector Profile"*

*by Sergei Obolenski,
Senior International Commodity Officer,
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*Some modifications have been made
for this Bulletin.*

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CANADA: ECONOMIC VALUE OF THE OILSEEDS INDUSTRY (2003)

	millions
Direct Economic Benefits	
Farm returns from seed purchases by crushers	\$1,520
Value-added from crushing	\$225
Value-added from refining, packaging & retailing	\$320
Estimated multiplier effect	\$1,090
Total Direct Economic Benefits	\$3,155
Contribution to the Canadian Balance of Payments	
Domestic oil sales	\$730
Domestic meal sales value	\$530
Total Import Replacement	\$1,260
Export oil sales value	\$800
Export meal sales value	\$270
Total Export Earnings	\$1,070
Total Contribution to the Balance of Payments	\$2,330
Source: COPA	

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Flax Council of Canada, Ontario Soybean Growers, Market and Industry Services Branch (AAFC))

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	August 23, 2004				FEATHER MEAL
														GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	
Vancouver	August 23, 2004	FOB	167.00	N/A	133.00	172.50		360.00	198.00	115.00		850.00	520.00					455.00
BC (4) (7)	August 16, 2004	FOB	167.00	N/A	133.00	166.00		327.00	182.00	118.00		850.00	520.00					475.00
Calgary	August 23, 2004	FOB	135.00	N/A	110.00	180.00		363.00			200.00	950.00	555.00					430.00
AB (4)	August 16, 2004	FOB	155.00	N/A	110.00	165.00		320.00			200.00	950.00	555.00					430.00
Saskatoon	August 23, 2004	FOB	165.00	124.00	111.50	165.00		364.00	N/A		220.00	N/A	555.00			154.00		450.00
SK (4)	August 16, 2004	FOB	165.00	132.00	118.00	160.00		321.50	N/A		220.00	N/A	555.00			155.00		470.00
Winnipeg	August 23, 2004	FOB	153.50	140.00	117.00	145.00		345.00	N/A		290.00	1012.50	555.00					470.00
MB (4) (9)	August 16, 2004	FOB	160.00	140.00	117.00	137.00		302.50	N/A		290.00	1012.50	555.00					470.00
Thunder Bay	August 23, 2004	In-Store	136.50	N/A	110.95													470.00
ON (8)	August 16, 2004		158.00	N/A	129.40													
Lake Ports	August 23, 2004	On Board				130.40												
USA (3)	August 16, 2004	Vessel				123.63												
Bay Ports	August 23, 2004	In-Store	218.00	230.00	164.00													
ON	August 16, 2004		218.00	230.00	164.00													
Chatham	August 23, 2004	Track				145.18												
ON	August 16, 2004					136.93												
Toronto	August 23, 2004	N/A					FOB											
ON (5)	August 16, 2004										275.00	N/A	500.00	430.00	126.00		265.00	390.00
Hamilton	August 23, 2004	N/A						381.40	213.00		275.00	N/A	500.00	430.00	126.00		265.00	390.00
ON	August 16, 2004							348.22	177.00									
Eastern	August 23, 2004	FOB				131.50												
ON	August 16, 2004					129.00												
London	August 23, 2004	FOB												430.00	126.00			
ON	August 16, 2004													430.00	126.00			
Port Colborne	August 23, 2004	FOB								108.00				430.00	126.00			
ON	August 16, 2004									110.50				430.00	126.00			
Cardinal	August 23, 2004	FOB												430.00	126.00			
ON	August 16, 2004													430.00	126.00			
Montreal	August 23, 2004	FOB	220.00	160.00	190.00	153.00		357.23	208.33	112.33	275.00	850.00	457.00	430.00	126.00		268.00	440.00
QC (5)	August 16, 2004		220.00	160.00	190.00	147.00	FOB	333.56	194.15	116.67	275.00	850.00	463.00	430.00	126.00		268.00	450.00
Trois-Rivières	August 23, 2004	In-Store	209.50		177.90	172.31												
QC	August 16, 2004		213.00		178.80	172.18												
St. Jean QC (2)	August 23, 2004	FOB	181.83	139.04	144.74	146.34		299.64										
St. Hyacinthe QC	August 16, 2004		189.57	133.31	152.93	141.18		320.36										
Quebec	August 23, 2004	In-Store	200.83	N/A	195.74	149.57		361.73										
QC	August 16, 2004		202.00	N/A	195.70	145.03		339.36										
Truro	August 23, 2004	Track	194.26		176.54	190.32		400.19	228.88		327.05		515.00					440.00
NS	August 16, 2004		221.59		179.04	181.88	FOB	370.69	217.85		327.05		515.00					450.00
Truro	August 23, 2004	Water	N/A	N/A	N/A	N/A												
NS	August 16, 2004	& Truck	N/A	N/A	N/A	N/A												
Halifax	August 23, 2004	In-Store	N/A	N/A	N/A	168.98		410.20		297.50		1,000.00	N/A					
NS (6)	August 16, 2004		N/A	N/A	N/A	165.23		363.73		297.50		1,000.00	N/A					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: Corinne Bruneau Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: bruneau@agr.gc.ca
 US\$1.00=CAN\$1.2977, closing date August 20, 2004
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn, Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal from West Coast 63% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

August 23, 2004

PRAIRIE GRAINS

Selected Points	Price Basis		This week 23-Aug-04	Last week 9-Aug-04	Month ago 26-Jul-04	Year ago 25-Aug-03
From: Thunder Bay(WCE) (2)	In-Store	Wheat	136.80	160.00	175.00	146.50
(CBOT)		Oat	141.75	132.00	125.75	140.00
(Lethbridge)		Barley	105.00	125.00	133.00	147.20
To: Bayport, ON (1)	In-store	Wheat	160.41	183.61	198.61	170.11
		Oat	N/A	N/A	N/A	N/A
		Barley	132.39	152.39	160.39	174.59
Montreal, QC (1)	In-store	Wheat	164.83	188.03	203.03	174.53
		Oat	N/A	N/A	N/A	N/A
		Barley	137.31	157.31	165.31	179.51
Moncton, NB	Truck via Halifax	Wheat	187.05	210.25	225.25	196.75
		Oat	N/A	N/A	N/A	N/A
		Barley	161.50	181.50	189.50	203.70
Truro, NS	Truck via Halifax	Wheat	181.02	204.22	219.22	190.72
		Oat	N/A	N/A	N/A	N/A
		Barley	159.00	179.00	187.00	201.20
Halifax, NS (1)	In-store	Wheat	172.08	195.28	210.28	181.78
		Oat	N/A	N/A	N/A	N/A
		Barley	145.30	165.30	173.30	187.50
Stephenville, NL	Track / Truck via Sydney	Wheat	235.43	258.63	273.63	245.13
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Selected Points	Price Basis		This week 23-Aug-04	Last week 9-Aug-04	Month ago 26-Jul-04	Year ago 25-Aug-03
Corn						
From: US Lake Port	On Board Vessel		130.40	123.63	124.67	141.40
To: Montreal, QC (1)	In-store		149.44	142.67	143.71	160.44
From: Chicago (Mi)	Track		119.16	112.80	114.21	134.74
To: Montreal, QC	Track		148.02	141.66	143.07	163.60
From: Chatham, ON	Track		145.18	136.93	138.94	149.89
To: Montreal, QC	Track		169.05	160.80	162.81	173.69
Soymeal 48% Protein						
From: Hamilton, ON			381.40	348.22	320.55	327.27
To: Montreal, QC	Track		405.73	372.55	344.88	351.60
Moncton, NB	Track		424.48	391.30	363.63	370.35
Truro, NS	Track		427.70	394.52	366.85	373.57
Stephenville, NL	Track / Truck via Sydney		476.33	443.15	415.48	422.20

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS																			July 26, 2004			
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL				
Vancouver	July 26, 2004	FOB	184.00	N/A	155.00	164.00		373.00	191.00	118.00		900.00	520.00					515.00				
BC (4) (7)	July 19, 2004		187.00	N/A	158.00	184.00		468.00	297.00	145.00		900.00	520.00					515.00				
Calgary	July 26, 2004	FOB	162.00	N/A	132.00	170.00		397.50			220.00	950.00	555.00					490.00				
AB (4)	July 19, 2004		165.00	N/A	135.00	178.00		426.00			230.00	950.00	555.00					490.00				
Saskatoon	July 26, 2004	FOB	165.00	132.00	118.00	153.00		400.00	N/A		240.00	N/A	555.00			163.33		530.00				
SK (4)	July 19, 2004		170.00	135.00	122.50	164.00		428.50	N/A		250.00	N/A	555.00			170.00		530.00				
Winnipeg	July 26, 2004	FOB	169.00	140.00	127.50	141.00		381.00	N/A		290.00	1012.50	555.00					550.00				
MB (4) (9)	July 19, 2004		169.00	140.00	127.50	147.00		409.50	N/A		290.00	982.50	555.00					550.00				
Thunder Bay	July 26, 2004	In-Store	180.00	N/A	145.00																	
ON (8)	July 19, 2004		170.65	N/A	138.50																	
Lake Ports	July 26, 2004	On Board				126.83																
USA (3)	July 19, 2004	Vessel				130.85																
Bay Ports	July 26, 2004	In-Store	218.00	230.00	164.00																	
ON	July 19, 2004		235.00	230.00	164.00																	
Chatham	July 26, 2004	Track				139.89																
ON	July 19, 2004					148.18																
Toronto	July 26, 2004	N/A																				
ON (5)	July 19, 2004																					
Hamilton	July 26, 2004	N/A						378.09	209.00		305.00	N/A	500.00	490.00	126.00		265.00	545.00				
ON	July 19, 2004							447.31	235.00		305.00	N/A	500.00	490.00	126.00		265.00	545.00				
Eastern	July 26, 2004	FOB				134.50																
ON	July 19, 2004					147.50																
London	July 26, 2004	FOB												490.00	126.00							
ON	July 19, 2004													530.00	131.00							
Port Colborne	July 26, 2004	FOB								116.00				490.00	126.00							
ON	July 19, 2004									115.00				530.00	131.00							
Cardinal	July 26, 2004	FOB												490.00	126.00							
ON	July 19, 2004													530.00	131.00							
Montreal	July 26, 2004		225.00	175.00	187.00	152.00		382.31	221.75	118.33	305.00	850.00	485.00	490.00	126.00		267.00	540.00				
QC (5)	July 19, 2004		223.00	160.00	193.00	159.00		498.55	224.68	114.33	305.00	850.00	485.00	530.00	131.00		267.00	540.00				
Trois-Rivières	July 26, 2004	In-Store	220.00		182.00	157.24																
QC	July 19, 2004		216.00		186.00	167.39																
St. Jean QC (2)	July 26, 2004	FOB	186.18	141.58	164.65	144.12		365.91														
St. Hyacinthe QC	July 19, 2004		189.10	136.47	169.25	151.87		367.09														
Quebec	July 26, 2004	In-Store	211.67	N/A	189.23	147.73		386.29														
QC	July 19, 2004		215.00	N/A	191.47	153.50		525.46														
Truro	July 26, 2004	Track	220.89		186.64	178.56		450.60	285.13									540.00				
NS	July 19, 2004		222.89		192.14	186.31		496.10	285.13									540.00				
Truro	July 26, 2004	Water	N/A	N/A	N/A	N/A																
NS	July 19, 2004	& Truck	N/A	N/A	N/A	N/A																
Halifax	July 26, 2004	In-Store	N/A	N/A	N/A	164.80		423.80		297.50		1,000.00	N/A									
NS (6)	July 19, 2004		N/A	N/A	N/A	172.58		511.45		297.50		1,000.00	N/A									

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close

Contact: Corinne Bruneau Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: bruneauc@agr.gc.ca

US\$1.00=CANS\$1.3217, closing date July 23, 2004

N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal- white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWR5 (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close US\$1.00=CANS\$1.3217, closing date July 23, 2004
 Contact: Corinne Bruneau Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: bruneau@agr.gc.ca
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn, Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWR5 (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

July 26, 2004

PRAIRIE GRAINS

Selected Points	Price Basis		This week 26-Jul-04	Last week 12-Jul-04	Month ago 28-Jun-04	Year ago 28-Jul-03
From: Thunder Bay(WCE) (2)	In-Store	Wheat	175.00	190.00	195.00	121.50
(CBOT)		Oat	125.75	134.00	145.60	131.50
(Lethbridge)		Barley	133.00	142.00	150.00	123.00
To: Bayport, ON (1)	In-store	Wheat	198.61	213.61	218.61	145.11
		Oat	N/A	N/A	N/A	N/A
		Barley	160.39	169.39	177.39	150.39
Montreal, QC (1)	In-store	Wheat	203.03	218.03	223.03	149.53
		Oat	N/A	N/A	N/A	N/A
		Barley	165.31	174.31	182.31	155.31
Moncton, NB	Truck via Halifax	Wheat	225.25	240.25	245.25	171.75
		Oat	N/A	N/A	N/A	N/A
		Barley	189.50	198.50	206.50	179.50
Truro, NS	Truck via Halifax	Wheat	219.22	234.22	239.22	165.72
		Oat	N/A	N/A	N/A	N/A
		Barley	187.00	196.00	204.00	177.00
Halifax, NS (1)	In-store	Wheat	210.28	225.28	230.28	156.78
		Oat	N/A	N/A	N/A	N/A
		Barley	173.30	182.30	190.30	163.30
Stephenville, NL	Track / Truck via Sydney	Wheat	273.63	288.63	293.63	220.13
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 26-Jul-04	Last week 12-Jul-04	Month ago 28-Jun-04	Year ago 28-Jul-03
From: US Lake Port	On Board Vessel		126.83	130.85	139.40	126.29
To: Montreal, QC (1)	In-store		145.87	149.89	158.44	145.33
From: Chicago (Mi)	Track		116.42	123.13	136.79	118.67
To: Montreal, QC	Track		145.28	151.99	165.65	147.53
From: Chatham, ON	Track		139.89	148.18	155.10	141.13
To: Montreal, QC	Track		163.76	172.05	178.97	164.93

Soymeal 48% Protein

From: Hamilton, ON			378.09	447.31	522.71	294.76
To: Montreal, QC	Track		402.42	471.64	547.04	319.09
Moncton, NB	Track		421.17	490.39	565.79	337.84
Truro, NS	Track		424.39	493.61	569.01	341.06
Stephenville, NL	Track / Truck via Sydney		473.02	542.24	617.64	389.69

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

July 12, 2004

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	July 12, 2004	FOB		188.00	N/A	165.00	184.00		523.00	297.00	145.00		900.00	520.00					515.00
BC (4) (7)	July 5, 2004	FOB		190.00	N/A	163.00	184.00		510.50	297.00	145.00		900.00	520.00					515.00
Calgary	July 12, 2004	FOB		170.00	N/A	138.00	194.00		531.50				950.00	555.00					490.00
AB (4)	July 5, 2004	FOB		170.00	N/A	141.00	194.00		518.50				230.00	555.00					490.00
Saskatoon	July 12, 2004	FOB		175.00	151.50	135.00	180.00		532.00	N/A			210.00	555.00					475.00
SK (4)	July 5, 2004	FOB		175.00	151.50	135.00	180.00		518.50	N/A			230.00	555.00			181.67		530.00
Winnipeg	July 12, 2004	FOB		169.00	140.00	128.50	168.00		513.00	N/A			230.00	555.00			186.67		525.00
MB (4) (9)	July 5, 2004	FOB		170.00	140.00	130.00	168.00		502.50	N/A			290.00	555.00					550.00
Thunder Bay	July 12, 2004	In-Store		195.00	N/A	155.50							290.00	555.00					550.00
ON (8)	July 5, 2004			198.25	N/A	151.50													550.00
Lake Ports	July 12, 2004	On Board					136.87												
USA (3)	July 5, 2004	Vessel					139.40												
Bay Ports	July 12, 2004	In-Store		235.00	230.00	164.00													
ON	July 5, 2004			235.00	230.00	164.00													
Chatham	July 12, 2004	Track					146.51												
ON	July 5, 2004						155.10												
Toronto	July 12, 2004	N/A																	
ON (5)	July 5, 2004							FOB											
Hamilton	July 12, 2004	N/A							531.31	299.00			305.00	500.00					540.00
ON	July 5, 2004								522.71	299.00			305.00	490.00					530.00
Eastern	July 12, 2004	FOB					151.83												
ON	July 5, 2004						153.50												
London	July 12, 2004	FOB																	
ON	July 5, 2004																		
Port Colborne	July 12, 2004	FOB																	
ON	July 5, 2004																		
Cardinal	July 12, 2004	FOB																	
ON	July 5, 2004																		
Montreal	July 12, 2004			224.00	160.00	190.00	162.00		548.26	323.45	109.33		850.00	485.00					540.00
QC (5)	July 5, 2004			224.00	160.00	190.00	163.00	FOB	517.65	306.23	108.33		850.00	480.00					540.00
Trois-Rivières	July 12, 2004	In-Store		225.00		187.00	155.00												
ON	July 5, 2004			221.50		185.00	172.12												
St. Jean OC (2)	July 12, 2004	FOB		194.01	144.71	172.86	155.15		427.60										
St. Hyacinthe QC	July 5, 2004			190.01	144.69	171.11	157.98		427.60										
Quebec	July 12, 2004	In-Store		222.50	N/A	195.40	159.11		549.86										
QC	July 5, 2004			221.83	N/A	197.09	160.82		512.65										
Truro	July 12, 2004	Track		256.89	230.00	219.84	196.72		559.26	347.08									
NS	July 5, 2004			256.89	230.00	219.84	196.39	FOB	524.81	347.08									540.00
Truro	July 12, 2004	Water																	540.00
NS	July 5, 2004	Water & Truck																	
Halifax	July 12, 2004	In-Store		N/A	N/A	N/A	N/A												
NS (6)	July 5, 2004			N/A	N/A	N/A	171.60		591.13		297.50		1,000.00	N/A					
				N/A	N/A	N/A	183.83		541.05		297.50		1,000.00	N/A					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close US\$1.00—CANS1.3209, closing date July 9, 2004
Contact: Corinne Bruneau Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: bruneau@agr.gc.ca
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn.
 Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

July 12, 2004

PRAIRIE GRAINS

Selected Points		Price Basis		This week 12-Jul-04	Last week 28-Jun-04	Month ago 14-Jun-04	Year ago 14-Jul-03
From:	Thunder Bay(WCE) (2)	In-Store	Wheat	190.00	195.00	190.00	130.90
	(CBO7)		Oat	134.00	145.60	145.25	156.00
	(Lethbridge)		Barley	142.00	150.00	157.00	131.00
To:	Bayport, ON (1)	In-store	Wheat	213.61	218.61	213.61	154.51
			Oat	N/A	N/A	N/A	N/A
			Barley	169.39	177.39	184.39	158.39
	Montreal, QC (1)	In-store	Wheat	218.03	223.03	218.03	158.93
			Oat	N/A	N/A	N/A	N/A
			Barley	174.31	182.31	189.31	163.31
	Moncton, NB	Truck via Halifax	Wheat	240.25	245.25	240.25	181.15
			Oat	N/A	N/A	N/A	N/A
			Barley	198.50	206.50	213.50	187.50
	Truro, NS	Truck via Halifax	Wheat	234.22	239.22	234.22	175.12
			Oat	N/A	N/A	N/A	N/A
			Barley	196.00	204.00	211.00	185.00
	Halifax, NS (1)	In-store	Wheat	225.28	230.28	225.28	166.18
			Oat	N/A	N/A	N/A	N/A
			Barley	182.30	190.30	197.30	171.30
	Stephenville, NL	Track / Truck via Sydney	Wheat	288.63	293.63	288.63	229.53
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
	Melfort, SK		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Bayport, ON		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Montreal, QC		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Moncton, NB		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Truro, NS		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
	Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A

Selected Points		Price Basis		This week 12-Jul-04	Last week 28-Jun-04	Month ago 14-Jun-04	Year ago 14-Jul-03
Corn							
From:	US Lake Port	On Board Vessel		136.87	139.40	152.76	135.44
To:	Montreal, QC (1)	In-store		155.91	158.44	171.80	154.48
From:	Chicago (Mi)	Track		130.63	136.79	151.15	127.31
To:	Montreal, QC	Track		159.49	165.65	180.01	156.17
From:	Chatham, ON	Track		146.51	155.10	160.02	147.83
To:	Montreal, QC	Track		170.38	178.97	183.89	171.63

Soymeal 48% Protein

From:	Hamilton, ON		531.31	522.71	466.27	311.07
To:	Montreal, QC	Track	555.64	547.04	490.60	335.40
	Moncton, NB	Track	574.39	565.79	509.35	354.15
	Truro, NS	Track	577.61	569.01	512.57	357.37
	Stephenville, NL	Track / Truck via Sydney	626.24	617.64	561.20	406.00

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Québec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

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Bi-weekly Bulletin

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PROFILE OF THE CANADIAN OILSEEDS SECTOR: PART 2

Historically, oilseeds tend to be a higher value crop than cereals, providing farmers with an alternative for market diversification. For producers in western Canada, canola, flaxseed, mustard seed and sunflower seed are considered as cash crops, as soybeans are for producers in eastern Canada. Decisions on how much of each crop to plant are made independently by each producer. Marketing of the crops and products is conducted by grain companies. This *Bi-weekly Bulletin* provides a brief overview of the marketing sector and some of the major organizations involved.

CANOLA

Canola seed exports continue to grow

Canola products are sold both domestically and abroad. In the early 1990s, about half of the average 3.9 million tonnes (Mt) canola seed crop was crushed domestically and the other half was exported. Starting in 1993, increased production of seed led to increased seed exports which peaked at 4.9 Mt in 1999. Since 1994, the crushing capacity for canola seed has more than doubled. Therefore, since 1995, the industry has directed its new market development towards the market for value added products: canola oil and canola meal, while undertaking market maintenance in its important seed markets particularly of Japan and Mexico. Forecasts for future years indicate that exports of seed will be

around 3.0-4.0 Mt while domestic processing is expected to range between 3.0-4.0 Mt.

For canola seed, exports for 2003 were 3.3 Mt. Historically, Japan is the major market for canola seed followed, during the early 2000s by Mexico, China and the United States (US).

Canola seed is marketed by grain companies which have an international network of business contacts, agents representatives etc. Most of the largest companies have their own primary elevators providing a marketing, storage and distribution. They also own, are

partners, or have an operating agreement with terminal elevators located in Vancouver, British Columbia (B.C.), Prince Rupert, B.C. and Thunder Bay, Ontario. The terminal and port facilities in Churchill, Manitoba are owned by OmniTrax, a private railroad, and are managed by Louis Dreyfus, a private elevator company.

Winnipeg Commodity Exchange and canola prices

Prices for canola seed are discovered on the futures market of the Winnipeg Commodity Exchange (WCE) through the buying and selling of contracts by numerous traders. The WCE provides

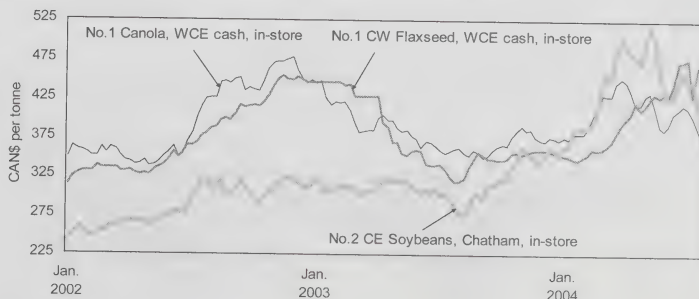
CANADA: CANOLA EXPORTS

calendar year	2002	2003	2004f
	.....thousand tonnes.....		
Japan	1,557	1,682	1,700
Mexico	489	711	950
China	66	319	400
United States	157	113	150
Other	9	426	650
Total	2,278	3,251	3,850

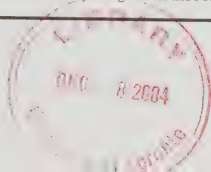
f: forecast, AAFC, July 2004

Source: Statistics Canada

CANADA: OILSEED PRICES



Source: Winnipeg Commodity Exchange, Ontario Ministry of Agriculture and Food



Canada

the facilities for buyers, sellers and users of canola seed to exchange canola seed contracts.

Futures contracts are based on 20 tonne lots of non-commercially clean No.1 canola, free on board (fob) in the PAR region (within a 150 kilometre radius of Saskatoon, Saskatchewan. The WCE has four additional delivery regions, central east (non-par location in Saskatchewan at \$0.00/tonne discount), central-west region (non-par locations in Saskatchewan at a \$2.00/tonne premium), eastern (non-par locations in Manitoba at a \$2.00/tonne discount) and western (non-par locations in Alberta at a \$6.00/tonne premium.

The contract prices on the WCE are primarily influenced by supply and demand of canola seed in Canada, its quality characteristics, and the international supply and demand of canola seed and rapeseed. International factors, such as demand, supply and prices of competing commodities (e.g. soybeans), also have an effect on determining the price of canola seed on the WCE.

On May 19, 2004, the shareholders of WCE Holdings Inc., the parent corporation of Winnipeg Commodity Exchange Inc. approved the resolution necessary to transform the WCE trading platform from the traditional open outcry method to an electronic system. The resolution was approved by 81% of the ballots cast. Regulatory approval by the

Manitoba Securities Commission is pending. The WCE hopes to have the system in place and electronic trading is scheduled to begin by December 2004.

SOYBEANS

Canada exports about 25% of its soybeans

In 1985, domestic production of soybeans increased to the point of achieving self sufficiency, although Canada is still highly dependent on imports of soybean meal to meet domestic requirements for protein meals for animal feed.

Canada exports about 25% of its soybean crop, mostly to Europe, the US and Asia Pacific (Japan, Hong Kong, Singapore, Malaysia, etc.). Exports to Asia Pacific in particular, are Special Quality White Hilum Soybeans for human consumption through the soyfood market.

Soybeans are marketed through grain companies which have access to a distribution and storage infrastructure.

Canadian soybean prices follow Chicago soybean prices

Prices of soybeans and soybean products are set internationally. The Chicago Board of Trade (CBOT) operates the largest futures exchange that determines the price of soybeans worldwide. The international price for soybeans is affected by world events and international economic and

CANADA: SOYBEAN EXPORTS

calendar year	2002	2003	2004f
.....thousand tonnes.....			
Netherlands	34	137	200
Japan	100	163	175
Malaysia	107	115	150
United States	86	162	100
Iran	61	62	75
Other	288	232	300
Total	676	871	1,000

f: forecast, AAFC, July 2004

Source: Statistics Canada

agronomic factors as well as livestock production cycles.

FLAXSEED

Flaxseed is mostly exported to the European Union

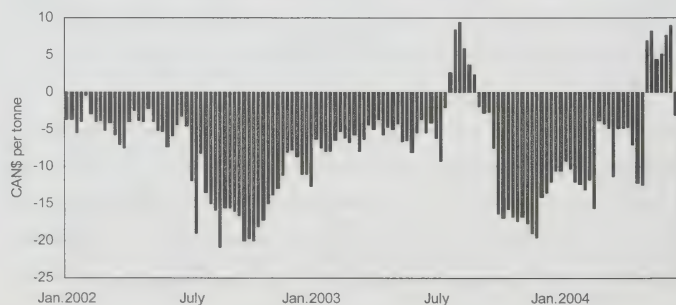
Most of Canada's flaxseed is grown for the export market, where it is crushed into oil and meal. Only a relatively small amount of seed is crushed domestically.

The marketing, pricing and transportation of flaxseed is very similar to canola. Many of the companies involved with other Canadian grains also deal in flaxseed.

The WCE is revising the flaxseed contract

Most of the price discovery for flaxseed now occurs in the cash market with the bulk of export selling conducted by 2 or 3 large exporters matched by a similar number of purchasing companies. On June 17, 2004, the WCE temporarily de-listed the December 2004 and March 2005 flaxseed futures contracts. The July and October 2004 flaxseed futures remained on the board for trading under the current contract

SOYBEAN BASIS: CHATHAM-CHICAGO CASH IN-STORE



Source: Chicago Board of Trade, Ontario Soybean Growers

CANADA: FLAXSEED EXPORTS

calendar year	2002	2003	2004f
.....thousand tonnes.....			
Belgium	541	520	525
United States	60	95	90
Japan	34	18	19
Netherlands	39	1	1
Other	29	51	50
Total	703	685	685

f: forecast, AAFC, July 2004

Source: Statistics Canada

terms. Under the proposed changes and beginning with the December contract, trading will be conducted in Canadian dollars and the US and Thunder Bay delivery regions will be removed. While significant changes were made to the contract in 2003, the enhancement had not attracted the expected market participation. The new contract is scheduled to be re-launched prior to January 1, 2005.

OTHER OILSEEDS

Sunflower Seed

Most of the sunflower seed produced in Canada is consumed by the confectionary industry, packaged as bird seed or exported to the US and EU. Its volume is much lower than other oilseeds and most of the acreage is grown under contract with processors and dealers. Exports of sunflower seed are about 30% of production, with the largest destination being the US.

Mustard Seed

Canada is the world's largest exporter of this commodity. Only a small percentage of mustard is crushed locally while some is ground to produce mustard flour. The majority of Canadian mustard seed is

exported to the US, Europe and Japan for use as a condiment. Bangladesh crushes mustard seed to produce a hot edible oil preferred in the Indian sub-continent.

In general mustard seed is marketed through grain companies with prices determined internationally. Mustard seed is mostly grown under contract to processors and/or dealers. Being a western Canadian crop, mustard seed is controlled by many of the same organizations and regulations affecting canola and flaxseed.

Safflower Seed

Most of the safflower seed currently produced in Canada is sold to the US for use in the higher paying birdseed market and to a lesser degree, in the domestic birdseed market.

OILSEED PRODUCTS

Canada is a net exporter of vegoils

In 2003, exports were 0.9 Mt and imports were 0.3 Mt for a positive trade balance of 0.6 Mt. Canola oil exports accounted for 92% of total vegoil exports in 2003, with 95% of canola oil exports being destined for the US, 1% for Singapore, and less than 1% for Malaysia, Taiwan, South Korea and Hong Kong, respectively. In 2003, Canada accounted for 66% of total world rapeseed/canola oil exports, compared with 5% for linseed oil exports and less than 1% for soybean oil.

The major market and growing market for canola oil is the US. In 1996, canola oil represented 8% of edible oil consumption in the U.S., up from 4.5% the year earlier. Increasing demand for canola oil is being shown by the Peoples Republic of China. The dominant market for canola meal is the US.

Canadian oil and meal prices are based on CBOT soyoil and soymeal prices

For canola oil and canola meal, marketing channels are generally similar to those described for the seed but the price discovery mechanism is based on the soyoil and soymeal contracts on the CBOT futures market. Since contracts on the CBOT trade in US dollars, industry must also hedge against fluctuation in the Canadian exchange rate. Since canola meal contains almost 70% of the protein level of soymeal, the price of canola meal is about 70% that of soymeal. This factor is considered in hedging canola meal contracts on the CBOT. Canadian soyoil and soymeal are mostly for domestic consumption, are marketed in a similar manner as canola oil and meal for domestic consumption and are priced based on CBOT prices.

Western Canada exports canola meal and imports soymeal

The trade in protein meals is important with Canada being a large net exporter of canola meal and a large net importer of soymeal, largely into western

CANADA: VEGOIL IMPORTS

calendar year	2002	2003	2004f
.....thousand tonnes.....			
Soybean oil	125	140	130
Cotton oil	36	36	35
Canola oil	32	29	30
Palm oil	12	26	30
Olive oil	25	25	25
Sunflower oil	28	18	20
Coconut oil	13	16	15
Palm kernel oil	8	10	10
Linseed oil	5	6	5
Other	46	41	50
Total	330	347	350

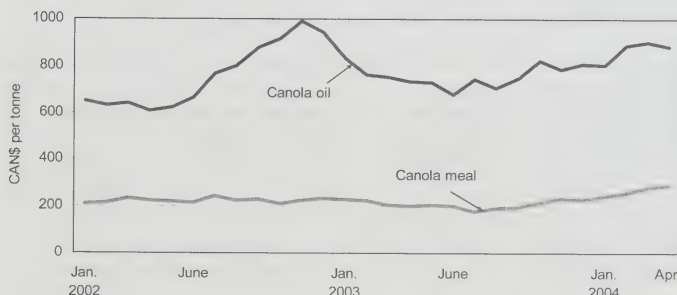
CANADA: VEGOIL EXPORTS

calendar year	2002	2003	2004f
.....thousand tonnes.....			
Canola oil	568	788	780
Soybean oil	39	37	35
Linseed oil	6	25	25
Other	27	24	30
Total	640	874	870

f: forecast, AAFC, July 2004

Source: Statistics Canada, COPA

CANADA: CANOLA OIL AND CANOLA MEAL PRICES



prices are in-store Vancouver
Source: Statistics Canada

Canada. In 2003, Canada exported slightly over \$250 million worth of protein meals. By far the largest segment was the export of canola meal which earned \$226 million in exports, followed distantly by soymeal at \$22 million and linseed meal at \$4 million. By contrast, for the 2003 calendar year Canada imported \$328 million worth of protein meal, mostly soymeal valued at \$325 million. As well \$2 million worth of canola meal was imported.

In 2003, exports of protein meal were 1.2 Mt while imports were 1.1 Mt (of which 98% were soymeal imports from the US), for a positive trade balance of 0.1 Mt. Canola meal exports accounted for 92% of total meal exports in 2003, with 90% of canola meal exports being destined for the US, 4% for Ireland, 2% to Taiwan and less than 1% for Singapore. Canada accounted for 46% of total world rapeseed/ canola meal exports in 2003, compared with 40% for linseed meal exports and less than 1% for soybean and sunflower meal exports.

Growth rate for margarine decreases

Margarine experienced a dramatic increase in demand during the 1970s much of it at the expense of more traditional dairy products such as butter.

Starting in the 1980s and continuing in the 1990s, the rate of growth for margarine decreased considerably due to a combination of factors: effective marketing strategies by the dairy industry, nutritional concerns on the part of consumers, an increase in demand for "natural" foods and an interest in gourmet cooking. In addition, provincial regulations, demanding the use of distinctive coloration for margarines, negatively impacted on margarine sales in the large markets of eastern Canada.

By 1997 all provinces, except Quebec, have foregone regulating margarine products and adopted national standards. This should be beneficial to oilseeds processors and to the soybean and soyoil sector especially.

ORGANIZATIONS

Canola Council of Canada (CCC)

The national industry organization for canola and canola products is the CCC. The Council is a national non-profit association, funded by members of the Canadian canola industry. Its mission is to enhance the Canadian canola industry's ability to profitably produce and supply seed, oil, and meal products that offer superior value to customers throughout the world.

Council members include canola growers, canola processors, canola exporters, grain handling companies, crop input suppliers, governments and food and feed manufacturers.

A list of organizations involved in the canola industry is currently available on the Council's website (www.canola-council.org).

The CCC is funded from three major sources:

- (1) a voluntary industry levy paid by Canadian crushers and exporters;
- (2) funds provided to specific programs from industry members of which one of the largest is the canola grower check-off commissions, and;
- (3) government programs, both federal and provincial.

The Council has a budget that ranges from two to six million dollars per year. Council funding is allocated to four areas of activity: agronomic extension (crop production), communications, utilization (market development and access) corporate affairs and finance and administration. The allocations are made with one purpose: to advance the canola industry in all its aspects. To accomplish their mission, the CCC undertakes a wide range of activities. On the international scene, the CCC: (a) assists industry members with incoming and outgoing missions (to develop new markets and to provide technical support to established clients); (b) assists industry members with technical seminars (such as, using canola meal in animal rations and trading aspects of canola products); (c) promotes the use of canola products by hosting domestic and international training activities, and (d) assists industry members with trade fairs, international conferences and other major international events to promote canola products.

To ensure continual improvement in canola products, the CCC conducts research activities including:

- (1) collaborating closely with the POS Pilot plant and other research institutions on applied research,
- (2) coordinating with industry members to provide the necessary research results to have canola and its products accepted by regulatory agencies, and
- (3) conducting market studies which assist in directing the above activities.

Through its crop production program, the CCC actively researches and promotes the introduction of better agronomic practices to increase productivity at the farm level. The CCC's success is due principally to the unique blend of industry, producers and governments and the close cooperation between these diverse interests.

The Canola Council has set four targets by 2007:

- (1) 7 Mt sustained annual production
- (2) 2 to 3 additional dedicated canola customers (i.e. Iran)

CANADA: VEGETABLE PROTEIN MEAL IMPORTS

calendar year	2002	2003	2004f
	.....thousand tonnes.....		
Soybean meal	1,077	1,043	1,000
Canola meal	14	10	10
Linseed meal	3	2	2
Sunflower meal	2	1	1
Other	15	12	12
Total	1,111	1,068	1,025

CANADA: VEGETABLE PROTEIN MEAL EXPORTS

calendar year	2002	2003	2004f
	.....thousand tonnes.....		
Canola meal	765	1,127	1,130
Soybean meal	107	72	65
Linseed meal	10	24	22
Other	17	7	8
Total	899	1,230	1,225

f: forecast, AAFC, July 2004

Source: Statistics Canada, COPA

- (3) Doubling of US consumption of canola oil
- (4) 1 new domestic market application (bio-diesel)

Meanwhile, Canada's canola industry is in the throws of a major change. It's estimated that within five years 50% of canola acres will be in speciality trait or functional varieties like low linolenic, low (5%) or zero (2% or less) saturated fat, higher omega-3, and others including nutraceuticals like high vitamin E level varieties. Generic or traditional canola will occupy the other half of the acres.

The introduction of new genetically modified organism (GMO) canola varieties is also on the rise. In Canada at present there are three main groups of herbicide-resistant canola: Roundup Ready and Liberty Link varieties which were produced using genetic modification and Clearfield varieties which were developed using a traditional plant breeding technique called mutagenesis.

New GM varieties recently introduced include GM Roundup Ready low linolenic/high oleic acid canola, GM Roundup Ready hybrids, and Clearfield-tolerate hybrids. In the wings are Roundup Ready hybrids that are low linolenic/high oleic acid.

Canadian Canola Growers Association

In each of the major producing provinces, there are canola growers organizations whose aims are to further the interests of the canola growers and the canola crop. These organizations are the Manitoba Canola Growers Association, the Saskatchewan Canola Growers Association (policy issues), Saskatchewan Canola Development Commission, the Alberta Canola Producers Commission and the Ontario Canola Growers Association. To nationally coordinate producer interests and to respond to their agronomic needs, these associations have formed the Canadian Canola Growers Association. All producer organizations are strong supporters and take key membership roles in the CCC.

Ontario Soybean Growers (OSG)

The soybean growers have shown a high degree of cohesion and organizational ability. In 1949, the Ontario Soybean Growers Marketing Board was formed, later changing its name to the current OSG. Today, the OSG represents 30,000 producers and negotiates certain aspects of the pricing arrangements for Ontario soybeans, while the handling, crushing and exporting of soybeans and soybean products are handled by grain companies. The OSG's objective is "to enhance the marketing of Ontario soybeans." The OSG's powers include: licensing producers, dealers and grain merchandisers and brokers; and establishing license fees and negotiating with dealers and handlers charges for handling, cleaning and drying.

Processors, crushers and brokers have agreed to pay to the producer the equivalent of the US soybean price adjusted for quality, transport, handling, insurance and monetary exchange. The OSG negotiates the factors involved in these activities. All trading for the domestic, export, and seed markets is done via grain companies at current prices based on the price establishment methodology agreed to with the OSG. Although the OSG has the power to purchase and sell soybeans, it has never exercised this right. Any changes to the operating policies of the OSG take place at the direction and with the agreement of soybean producers.

The OSG provides several important services. On behalf of the producers, the OSG gathers and disseminates market and price information. The OSG maintains marketing records from which it compiles an average price to the producers by crop year. It gathers the information from which federal and provincial stabilization payments are determined. The OSG promotes the use of soybeans and soy products domestically and in key markets abroad. Through the OSG, producer funds are channelled into various research projects, such as improved soybean varieties, or for new uses such as roasted soybeans in animal feed rations. Finally, the OSG is an active lobbyist of

the federal and provincial governments on a variety of issues of concern to the industry. A list of organizations involved in trading of soybeans and soyproducts is currently available on the OSG's website (www.soybean.on.ca)

Canadian Soybean Export Association (CSEA)

In the mid-1990s, a group of food quality soybean exporters from Ontario, Quebec, Manitoba and B.C. came together to form the CSEA. This Association deals with items of interest to Canadian exporters and explores existing and potential markets for premium priced high quality soybeans for soy foods production. This Association is made up of industry, government and OSG personnel.

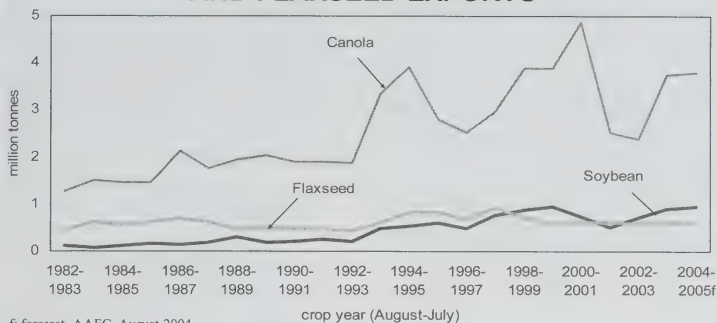
Flax Council of Canada (FCC)

The FCC is a single organization, representing the producers, grain handlers, shippers, exporters and end users of flax. Established in 1986 with full representation from all agricultural and industrial flax interests, the FCC promotes the advancement of flax and flax products. The FCC is located in Winnipeg, Manitoba.

The Council focuses the resources of the entire Canadian flax industry on flax market development, market and production research and crop promotion. Through its marketing initiatives and communication programs, the FCC creates worldwide market opportunities for flax. The FCC has a strong research and technical emphasis, supporting flax related research both with direct funding and indirectly as a coordinating forum.

The FCC's role is to identify opportunities and challenges facing flax and flax products; and to be a catalyst for the success of the Canadian flax industry.

CANADA: CANOLA, SOYBEAN AND FLAXSEED EXPORTS



f: forecast, AAFC, August 2004
Source: Statistics Canada

The Council's vision, through the year 2005, is to "Be a respected, market-focussed, research-oriented organization that promotes flax for industrial and nutritional (human and livestock) markets, and Solin for the vegetable oil market; develops markets that will demand the production from 5 million acres annually; strengthens Canada's position as the lowest-cost producer and most respected supplier of flax and flax products."

A list of organizations involved in the buying and selling of flaxseed and flaxseed products is currently available on the FCC's website (www.flaxcouncil.ca/sup_ind.htm).

Canadian Oilseed Processors Association (COPA)

The COPA is a non-profit industry association which represents all of the oilseed processing companies in Canada. COPA members include: ADM Agri Industries Company, Bunge Canada, Canbra Foods Ltd., and Cargill Limited.

The objectives of COPA include:

- a) to promote the processing of oilseeds in Canada and the further processing of oilseed products into refined oil, protein meal and other finished products;
- b) to provide a forum for the discussion and study of matters pertaining to the processing industry;

- c) to broaden the scope of both domestic and export market opportunities for Canadian value-added oilseed products;
- d) to make recommendations and presentations to governmental bodies and other authorities on all matters pertaining to the processing industry;
- e) to promote research on oilseed products;
- f) to maintain an authoritative centre of information;
- g) to inform the public of issues of concern in connection with the processing industry;
- h) to inform the public of the contribution of the Canadian oilseed crushing industry to the economy of Canada and
- i) to assist the members of the Association in maintaining effective relationships with all persons directly or indirectly involved in the oilseed processing industry in Canada.

Biodiesel Association of Canada

In 2003, the Biodiesel Association of Canada was formed to promote the development of a biodiesel industry in Canada. The Association's mission is to "promote the development of a Canadian biodiesel industry through efforts to support government policy and legislation, to create consumer awareness and acceptance of renewable fuels, and to contribute to the creation of common trade standards and product technical

specifications." A list of organizations involved in the production and marketing of biodiesel is currently available on the **Canadian Renewable Fuels Association's** website www.greenfuels.org/bioindex.html

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*Some modifications have been made
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CANADA: GRAINS AND OILSEEDS OUTLOOK

September 10, 2004

For 2004-05, grain and oilseed production in Canada is forecast by AAFC to increase to 61.3 million tonnes (Mt), from 59.6 Mt in 2003-04. The production forecasts are based on Statistics Canada's July 31 production estimates, with western Canadian production for most crops revised downward by AAFC due to subsequent cool, wet weather conditions, including frost in many regions. These production forecasts are very tentative, as the extent of frost damage will not be known until after harvest. Production in western Canada is expected to increase by 6% from 2003-04, to 46.6 Mt, while production in eastern Canada is forecast to fall by 5%, to 14.7 Mt. Crop development in western Canada is as much as four weeks behind normal due to delayed seeding and cool temperatures. The harvest is currently being delayed by wet conditions in many regions. The quality of all crops is expected to be below normal, with a smaller percentage of each crop falling into the top grades. In eastern Canada, crop development has also been delayed by cool, wet conditions, but normal quality is expected.

Total supplies of grains and oilseeds in Canada for 2004-05 are forecast to increase due to a combination of higher production and larger carry-in stocks. Total exports are forecast to increase slightly to about 26 Mt. Total domestic usage and carry-out stocks are also forecast to increase. World prices for all grains and oilseeds are expected to decline due to increased world supplies, with prices in Canada further pressured by the strong Canadian dollar. The major factors to watch for 2004-05 are harvest conditions in Canada and the US, import demand from China, EU export policy and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2004-05, production is forecast to increase by 4%, due to higher production in western Canada, with production in Ontario declining by 25% due to lower seeded area and yields. Supplies are forecast at 24.4 Mt, 4% above 2003-04 but about 1 Mt below the 10-year average. Domestic use is projected to rise by 6%, largely due to greater feed use, assuming a lower quality western crop. Human food use is expected to recover slightly due to reduced interest in low-carbohydrate diets, but remain below normal. Total exports are forecast to increase by 5%, with higher exports from western Canada partly offset by lower exports from Ontario. Carry-out stocks are forecast to be relatively unchanged at 4.3 Mt, well below the 10-year average of 5.4 Mt. The Canadian Wheat Board (CWB) August Pool Return Outlook (PRO) for No.1 CWSR 11.5% protein is \$195/t, in-store Vancouver/St. Lawrence (I/S VC/SL), down by \$13 from both the July PRO and 2003-04.

DURUM

Production is forecast to increase by 5%, despite lower seeded area, due to much-improved moisture conditions in the durum growing region. With 11% higher carry-in stocks, supplies will rise by 6%, to 6.3 Mt, equal to the 10-year average. Despite increased supplies, exports are expected to rise only marginally, to 3.4 Mt. World import demand for durum wheat is expected to remain weak due to large crops in the EU and North Africa, although quality problems in both regions may increase the need to import good quality durum for blending. While Canadian durum quality will be lower than in 2003-04, it should be relatively better than non-durum wheat, and supplies of high quality durum are expected to be adequate. Carry-out stocks are projected to increase by 12% to 2.0 Mt, 0.3 Mt above the 10-year average. The CWB PRO for No.1 CWAD 11.5% protein is unchanged from July at \$200/t, I/S VC/SL, \$25/t below 2003-04. A premium of \$5/t to No.1 CWSR 11.5% is projected, vs. \$17/t in 2003-04.

BARLEY

Production is forecast to increase by 5% due to higher yields, despite lower seeded area. Due to higher carry-in stocks and production, supplies are expected to rise by 9%. Feed use is projected to increase significantly, due to higher barley supplies in western Canada and increased shipments to eastern Canada. Malting barley exports are expected to rise, as import demand from China returns to normal. Feed barley exports are forecast to fall, due to increased competition from the Black Sea region, the EU-25, and Australia. Carry-out stocks are forecast to increase significantly. Off-Board feed barley prices are expected to decrease by about \$15/t from 2003-04 to \$120/t, due to increased domestic barley production and depressed US corn prices. The CWB August PRO for No.1 CW Feed Barley is \$116/t I/S VC/SL, vs. \$167/t for 2003-04. The PRO for Special Select Two Row designated barley is \$181/t vs. \$200/t for 2003-04, mainly due to higher supplies expected in Europe and Australia.

OATS

Production is forecast to drop slightly as higher yields only partially offset lower harvested area. Supplies are expected to rise by 3% as a result of higher carry-in stocks. Exports, mainly to the US, are expected to rise slightly. Due to lower US corn prices, oat prices are forecast to decline. US oats are expected to be priced at a premium of about 10% to corn on a per tonne basis.

CORN

Production is forecast to fall by 12%, due to lower seeded area and yields. Supplies are projected to decrease by 4% as larger carry-in stocks and higher imports only partially offset lower production. Corn imports, especially to eastern Canada, are expected to rise, as a result of lower domestic supplies. The feed use of corn is forecast to decline as barley replaces some of the corn. Carry-out stocks are forecast to decline sharply. Chatham corn prices are forecast to drop by \$13/t to \$125/t, due to the prospect for record US corn production.

CANOLA

Production is forecast to rise by 12%, but supplies are expected to increase by only 7% due to lower carry-in stocks. Crop quality is projected to be significantly lower than normal. Combined with large supplies of canola/rapeseed and soybeans from competing countries, domestic crush and exports are forecast to drop by 6% and 2%, respectively. Carry-out stocks are forecast to increase from 2003-04. The average Vancouver cash price is forecast to decrease to \$350/t due to pressure from lower US soyoil prices, higher Canadian and world canola/rapeseed production and the stronger Canadian dollar.

FLAXSEED (excluding solin)

Production is forecast to increase by 6%, but supplies are expected to only rise marginally due to lower carry-in stocks. Exports are forecast to decrease marginally due to weaker EU demand. Carry-out stocks are expected to increase marginally and the average cash price is forecast to decrease slightly to \$375/t.

SOYBEANS

Production is forecast to increase by 26%, and supplies are expected to rise by 9% due to lower imports than 2003-04. Domestic use is expected to rise by 13%, and return to a level to similar to previous years. Exports are projected to decline slightly due to competition from large US and South American supplies. The average Chatham price is forecast to fall to \$280/t due to lower US soybean prices, related to higher world production, and the stronger Canadian dollar.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION September 10, 2004

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use (e)	Feed, Waste & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (f) \$/t
----- thousand metric tonnes-----											
Durum											
2002-2003	2,246	1.73	3,877	6	5,427	2,968	276	328	841	1,619	271.23
2003-2004p	2,459	1.74	4,280	1	5,899	3,321	258	322	789	1,790	225 *
2004-2005f	2,170	2.06	4,480	1	6,271	3,400	260	411	871	2,000	200 **
Wheat Except Durum											
2002-2003	6,590	1.87	12,321	173	17,678	6,223	2,796	3,738	7,348	4,107	241.00
2003-2004p	8,009	2.41	19,272	16	23,395	12,236	2,620	3,459	6,886	4,273	208 *
2004-2005f	8,025	2.50	20,100	20	24,393	12,800	2,625	3,850	7,293	4,300	195 **
All Wheat											
2002-2003	8,836	1.83	16,198	178	23,105	9,191	3,073	4,066	8,189	5,725	
2003-2004p	10,467	2.25	23,552	17	29,294	15,557	2,878	3,781	7,675	6,062	
2004-2005f	10,195	2.41	24,580	21	30,663	16,200	2,885	4,261	8,163	6,300	
Barley											
2002-2003	3,348	2.24	7,489	259	9,796	945	175	6,755	7,376	1,475	171.88
2003-2004p	4,446	2.77	12,328	45	13,847	2,400	320	8,601	9,341	2,106	136.00
2004-2005f	4,265	3.02	12,900	40	15,046	2,600	375	9,116	9,946	2,500	110-130
Corn											
2002-2003	1,283	7.01	8,999	3,904	13,958	308	2,385	10,121	12,540	1,111	145.34
2003-2004p	1,226	7.82	9,587	1,900	12,598	300	2,550	8,513	11,098	1,200	137.62
2004-2005f	1,140	7.37	8,400	2,500	12,100	150	2,650	8,465	11,150	800	115-135
Oats											
2002-2003	1,379	2.11	2,911	21	3,294	1,190	132	1,255	1,580	524	193.91
2003-2004p	1,575	2.34	3,691	20	4,235	1,450	170	1,640	1,985	800	137.00
2004-2005f	1,450	2.45	3,550	20	4,370	1,500	170	1,650	2,020	850	120-140
Rye											
2002-2003	77	1.74	134	2	185	52	38	43	103	30	139.67
2003-2004p	147	2.22	327	1	358	50	47	193	258	50	104.44
2004-2005f	165	2.33	385	2	437	80	48	232	297	60	85-105
Mixed Grains											
2002-2003	132	2.72	359	0	359	0	0	359	359	0	
2003-2004p	135	2.84	384	0	384	0	0	384	384	0	
2004-2005f	125	2.48	310	0	310	0	0	310	310	0	
Total Coarse Grains											
2002-2003	6,218	3.20	19,892	4,185	27,592	2,495	2,730	18,532	21,958	3,139	
2003-2004p	7,529	3.50	26,317	1,966	31,422	4,200	3,087	19,331	23,066	4,156	
2004-2005f	7,145	3.60	25,545	2,562	32,263	4,330	3,243	19,773	23,723	4,210	
Canola											
2002-2003	3,262	1.31	4,271	239	5,760	2,394	2,225	207	2,471	894	415.09
2003-2004p	4,689	1.42	6,669	241	7,804	3,762	3,390	0***	3,431	611	387.04
2004-2005f	5,123	1.46	7,500	220	8,331	3,700	3,200	586	3,831	800	330-370
Flaxseed											
2002-2003	633	1.07	679	27	892	577	n/a	n/a	186	128	401.97
2003-2004p	728	1.04	754	22	905	605	n/a	n/a	202	97	382.13
2004-2005f ^{1/}	737	1.09	800	20	917	600	n/a	n/a	218	100	355-395
Soybeans^{1/}											
2002-2003	1,024	2.28	2,336	651	3,159	723	1,763	419	2,291	145	307.55
2003-2004p	1,047	2.17	2,268	600	3,013	900	1,546	338	1,984	129	395.04
2004-2005f	1,193	2.40	2,860	300	3,291	800	1,750	491	2,341	150	260-300
Total Oilseeds											
2002-2003p	4,919	1.48	7,286	917	9,811	3,694	n/a	n/a	4,948	1,167	
2003-2004f	6,464	1.50	9,691	863	11,722	5,267	n/a	n/a	5,617	837	
2004-2005	7,053	1.58	11,160	540	12,539	5,100	n/a	n/a	6,390	1,050	
Total Grains And Oilseeds											
2002-2003	19,973	2.11	43,376	5,280	60,508	15,380	n/a	n/a	35,095	10,031	
2003-2004p	24,460	2.44	59,560	2,846	72,438	25,024	n/a	n/a	36,358	11,055	
2004-2005f	24,393	2.52	61,285	3,123	75,465	25,630	n/a	n/a	38,276	11,560	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver).

Barley (No. 1 feed, WCE, cash, I/S Lethbridge); Corn (No.2 CE, cash, I/S Chatham); Oats (US No. 2 Heavy, CBoT nearby futures);

Rye (No.2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* July 2004 CWB Pool Return Outlook (PRO) **August 2004 PRO

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

p: preliminary estimates

f: Agriculture and Agri-Food Canada forecast, September 10, 2004

*** Statistics Canada (STC) estimates feed, waste and dockage (FWD) at -0.2Mt. FWD is calculated by STC as a residual, based on its November 2003 production estimate and crop-year estimates for exports, human food, industrial use and carry-out stocks. STC is expected to revise its production and FWD estimates in subsequent releases.

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

September 10, 2004

For 2004-05, total Canadian pulse and special crops production is forecast to increase by 29%, from 2003-04, to 4.73 million tonnes (Mt). Statistics Canada (STC) provided a July 31 production estimate for dry peas, but production is expected to be lower than STC's estimate as crop conditions have deteriorated since the survey was taken because of frost and cool and wet weather. Production of other pulse and special crops is forecast by AAFC, as STC did not provide production estimates. Total pulse and special crops supply is expected to increase by only 21% to 5.28 Mt, because of lower carry-in stocks. Although exports and domestic use are forecast to increase due to the higher supply, strong demand and lower prices for most crops, carry-out stocks are also expected to increase. Average prices, over all grades and markets, are forecast to increase from 2003-04 for dry beans, chickpeas and sunflower seed, decrease for dry peas, lentils, mustard seed and canary seed, and be the same for buckwheat. However, prices are expected to be volatile due to the late harvest and uncertainty about production volumes.

Crop development is behind normal, by as much as four weeks, due to seeding delays and below normal temperatures during the growing period. Frost has occurred in most agricultural areas of western Canada. There has been damage in terms of quantity and quality, but the full extent of the damage will not be known until harvest is complete. Harvest progress is significantly behind normal. Average yields are forecast to be near trend, but abandonment is expected to be higher than normal due to damage from frost and excessive moisture. Average quality is expected to be lower than normal. Warm dry weather is needed to bring the crops to maturity and for harvesting. However, the average temperatures are gradually decreasing and the risk of additional frost damage is high. Other factors which could cause additional damage are rain and snow. There are some areas where the soil is so saturated that harvest equipment can't work on it. The main factors to watch in Canada are precipitation and temperatures, crop development, and harvest progress. Other factors to watch are exchange rates and crop conditions in the major producing countries, especially the US, Australia and India.

DRY PEAS

For 2004-05, production and supply are forecast to increase, due to a 10% increase in seeded area and higher yields. Production is expected to increase for yellow, green and other types. World supply is forecast to increase by 10% to 12.1 Mt, mainly because of higher production in Canada, EU, US and Australia, but this is expected to be mostly offset by increased use in both the feed and food markets. Canadian exports and domestic use are forecast to increase due to the higher supply and lower prices. For exports, most of the increase is expected to be to the EU and Asia. For domestic use, most of the increase is expected for feeding hogs. Carry-out stocks are forecast to increase with a stocks-to-use (s/u) ratio of 14%. The average price, over all types, grades and markets, is forecast to decrease due to the higher supply.

LENTILS

Production and supply are forecast to increase, due to a 36% increase in seeded area and higher yields. Production is expected to increase for large, medium and small green, red and other types. World supply is expected to increase by 11% to 3.5 Mt, due mainly to higher production in Canada. Canadian exports are expected to increase, as Canada's share of world supply increases and prices decrease. Carry-out stocks are forecast to increase, with a s/u of 17%. The average price, over all types and grades, is forecast to decrease due to the higher supply.

DRY BEANS

Production and supply are forecast to decrease, as a slight increase in seeded area is more than offset by lower yields, higher abandonment and lower carry-in stocks. Production and supply are expected to decrease for all classes, white pea, pinto, black, red kidney, cranberry, Great Northern, small red and pink beans. US production is forecast to decrease due to a

lower harvested area and lower yields. Total US and Canadian supply of nearly all major classes of dry beans is forecast to fall. Canadian exports are forecast to decrease, due to lower supply, and carry-out stocks are expected to decrease to a low level. The average price, over all classes and grades, is forecast to rise due to the lower supply.

CHICKPEAS

Production is forecast to decrease, due to an 8% decrease in seeded area. Production is expected to increase for the large and small kabuli types, but decrease for the desi type. However, supply is forecast to decrease for all types due to lower carry-in stocks. World supply is expected to decrease by 5% to 8.3 Mt. Canadian exports are forecast to decrease due to lower supply. Carry-out stocks are forecast to decrease to a low level. The average price, over all types, sizes and grades, is forecast to increase due to the lower supply.

MUSTARD SEED

Production is forecast to increase as a small decrease in seeded area is more than offset by higher yields. Production is expected to increase for the oriental type, decrease for the brown type and remain stable for the yellow type. However, supply is forecast to increase for all types due to higher carry-in stocks. A significant portion of the carry-in stocks are expected to be low quality seed. In the US, production of the yellow type is expected to decrease. Canadian exports are expected to increase because of stronger demand and lower prices. Carry-out stocks are forecast to increase, with a s/u ratio of 54%. The average price, over all types and grades, is forecast to decrease due to the higher supply.

CANARY SEED

Production and supply are forecast to increase, due to a 29% increase in seeded area, higher yields and higher carry-in stocks. World supply is forecast to increase by 40% to 395,000 t. Canadian exports are

expected to increase because of higher supply and lower prices. Carry-out stocks are forecast to increase, with a stocks-to-use ratio of 60%. The average price is forecast to decrease because of the higher supply.

SUNFLOWER SEED

Production and supply are forecast to fall, due to a 26% decrease in seeded area and higher abandonment. Production is expected to decrease for both types, confectionary and oilseed. In the US, harvested area, production and supply are expected to decrease for both types. World supply is expected to decrease by 3% to 26.9 Mt. Canadian exports and domestic use are expected to decrease due to the lower supply. The average price, over both types and all grades, is forecast to increase due to the lower supply.

BUCKWHEAT

Production is forecast to remain stable, as an increase in seeded area is offset by higher abandonment, while supply decreases due to lower carry-in stocks. World supply is forecast to increase slightly to 2.2 Mt. Canadian exports are forecast to remain stable, while carry-out stocks decrease to a negligible level. The average price, over all grades and markets, is forecast to be the same as in 2003-04, as lower Canadian supply offsets pressure from higher world supply.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

September 10, 2004

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----									
Dry Peas									
2000-2001	1,220	2.35	2,864	12	3,276	2,196	885	195	138
2001-2002	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004p	1,271	1.67	2,124	25	2,459	1,350	904	205	175
2004-2005f	1,380	2.14	2,950	20	3,175	1,700	1,075	400	130-160
Lentils									
2000-2001	688	1.33	914	5	999	475	268	256	295
2001-2002	664	0.85	566	6	828	478	219	131	320
2002-2003	387	0.91	354	9	494	320	119	55	390
2003-2004p	536	0.97	520	6	581	400	143	38	420
2004-2005f	680	1.13	770	5	813	500	193	120	340-370
Dry Beans									
2000-2001	162	1.65	268	40	348	227	71	50	465
2001-2002	175	1.70	298	42	390	263	97	30	725
2002-2003	219	1.89	414	40	484	297	117	70	445
2003-2004p	167	2.14	357	30	457	355	82	20	495
2004-2005f	160	1.84	295	35	350	260	80	10	560-590
Chickpeas									
2000-2001	283	1.37	388	5	408	179	199	30	410
2001-2002	467	0.97	455	12	497	147	210	140	380
2002-2003	154	1.01	156	9	305	104	141	60	300
2003-2004p	63	1.08	68	3	131	75	36	20	330
2004-2005f	50	1.10	55	5	80	40	35	5	370-400
Mustard Seed									
2000-2001	208	0.97	202	1	318	151	62	105	280
2001-2002	158	0.66	105	3	213	171	9	33	685
2002-2003	255	0.60	154	9	196	114	22	60	595
2003-2004p	328	0.69	226	2	288	145	51	92	390
2004-2005f	320	0.78	250	2	344	170	54	120	340-370
Canary Seed									
2000-2001	164	1.04	171	0	261	170	21	70	265
2001-2002	163	0.70	114	0	184	134	20	30	660
2002-2003	227	0.78	176	0	206	164	22	20	575
2003-2004p	243	0.91	220	0	240	170	n/a	67	345
2004-2005f	300	0.93	280	0	347	180	37	130	240-270
Sunflower Seed									
2000-2001	69	1.72	119	18	178	77	55	46	320
2001-2002	67	1.55	104	29	179	92	65	22	355
2002-2003	95	1.65	157	21	200	105	60	35	440
2003-2004p	115	1.30	150	17	202	105	72	25	405
2004-2005f	80	1.44	115	15	155	85	60	10	485-515
Buckwheat									
2000-2001	15	0.93	14	1	16	9	7	0	305
2001-2002	14	1.14	16	1	17	6	8	3	325
2002-2003	12	1.00	12	1	16	6	7	3	340
2003-2004p	9	1.11	10	1	14	6	7	1	355
2004-2005f	9	1.11	10	1	12	6	6	0	340-370
Total Pulse And Special Crops (c)									
2000-2001	2,809	1.76	4,940	82	5,804	3,484	1,568	752	
2001-2002	2,993	1.23	3,681	120	4,553	2,672	1,217	664	
2002-2003	2,399	1.16	2,788	130	3,582	1,738	1,231	613	
2003-2004p	2,732	1.35	3,675	84	4,372	2,606	1,298	468	
2004-2005f	2,979	1.59	4,725	83	5,276	2,941	1,540	795	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chickpeas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

p: preliminary

f: forecast, Agriculture and Agri-Food Canada, September 10, 2004

n/a: Total domestic use is calculated residually. Based on current data on exports and carry-out stocks, it appears that Statistics Canada's 2003-04 production estimate may be low or carry-out stocks high resulting in a very low residual.

Source: Statistics Canada and industry consultations.



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CHICKPEAS: SITUATION AND OUTLOOK

Pulses, including chickpeas, are increasingly being used in health-conscious diets to promote well-being and reduce the risk of illness. Canada is a significant producer of both desi and kabuli chickpeas, with production concentrated in south-western Saskatchewan and south-eastern Alberta. The introduction of chickpeas to these regions has contributed to the diversification of crop production. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for chickpeas.

WORLD

Production

During the past 10 years, world production has been variable, ranging from a low of 6.6 million tonnes (Mt) in 2000-2001 to a high of 9.5 Mt in 1998-1999. India

accounted for 60-70% of world production during this period. Production in India was variable, which was the main reason for the large range in world production.

The two commercial types of chickpeas produced are desi and kabuli. Countries in

the Indian sub-continent and Australia produced mainly the desi type, Canada produced both the kabuli and desi types, and the remaining

countries produced mainly the kabuli type.

On average, world production consisted of about 75% desi type and 25% kabuli type. Production of the kabuli type is more dispersed and therefore less variable than for the desi type.

Trade

World exports during the past 10 years were variable, but trending upwards.

Exports ranged from a low of 313,000 tonnes (t) in calendar year 1995 to a high of 993,000 t in 2001. In 2002, the latest year for which world trade statistics are available, exports were 743,000 t. During the past 10 years, India was the largest importer of chickpeas, but imports were extremely variable, depending on the volume of production in India and price. Because of the variability in India's imports, there was large variability in total world imports. India and surrounding countries import mainly the desi type, while countries in North and South America, Europe, the Middle East and Africa import mainly the kabuli type.

CANADA

Production

Chickpea production at the commercial level in Canada started in 1995-1996 at about 1,000 t, but increased rapidly during the next six years to 455,000 t in 2001-2002. Saskatchewan accounted for at least 80% of Canadian production and Alberta for the balance. Production fell sharply in 2002-2003 due to lower seeded area and wet harvest conditions. Seeded area and production fell further in 2003-2004. The decrease in seeded area is due to the difficulty and high cost of controlling ascochyta blight, yield and quality losses during wet harvests, and price decreases.

Chickpeas have contributed to the diversification of crop production in Saskatchewan and Alberta and are valuable in crop rotations which help to control weeds, diseases and insects, and improve soil texture and fertility. The

WORLD: CHICKPEA SUPPLY AND DISPOSITION

	2000 -2001	2001 -2002	2002 -2003	2003 -2004p	2004 -2005f
Harvested Area (kha)	9,200	10,700	9,800	10,600	10,200
Average Yields (t/ha)	0.72	0.79	0.70	0.82	0.77
.....thousand tonnes.....					
Carry-in Stocks*	400	100	400	100	400
Production:					
India	3,850	5,470	4,130	5,770	5,300
Pakistan	565	397	362	672	600
Turkey	548	535	650	600	600
Iran	160	269	290	255	240
Myanmar	84	119	194	200	170
Ethiopia	176	176	180	180	170
Mexico	234	326	235	240	150
Australia	150	258	136	178	131
Syria	65	60	89	87	75
Spain	46	53	73	65	60
Canada	388	455	156	68	55
United States	59	73	38	20	20
Others	290	304	337	325	329
Total Production	6,615	8,495	6,870	8,660	7,900
Total Kabuli Production*	1,940	2,220	2,020	1,810	1,660
Total Desi Production*	4,675	6,275	4,850	6,850	6,240
Total Supply	7,015	8,595	7,270	8,760	8,300
Total Use*	6,915	8,195	7,170	8,360	8,200
Carry-out Stocks*	100	400	100	400	100
Stocks-to-use Ratio (%)	1	5	1	5	1

* estimate, AAFC, September 2004

p: preliminary estimate; f: forecast, AAFC, September 2004

Source: FAO, India Department of Agriculture, Pulse Australia, USDA and Statistics Canada



Canada

production of chickpeas has also contributed to the expansion of the pulse crops handling, marketing and processing industry, which increased employment opportunities in rural areas.

Kabuli chickpeas, also known as garbanzo beans, have a larger, cream-coloured seed with a thin seed coat. The desi type has a smaller, darker coloured seed with a thick seed coat. Included in kabuli chickpea production are the large kabuli type with the seed size mostly 8-9 millimetres (mm) and a seed weight of about 410-490 grams/1000 seed, and the small kabuli type, which have a more uniform seed size of about 7 mm and a seed weight of about 265 grams/1000 seed. Yields of the desi and small kabuli types are about 20% higher than of the large kabuli type.

Kabuli chickpeas are best adapted to the Brown soil zone and desi chickpeas to the Dark Brown and Brown soil zones. Both soil zones are located in south-western Saskatchewan and south-eastern Alberta, where production problems of seedling blight, ascochyta blight and late maturity are less common. Chickpeas are relatively drought tolerant due to the long tap root. They are not well adapted to high moisture areas, saline soils, soils which are slow to warm in the spring and wet or waterlogged soils. Length of maturity depends on available heat and moisture, but is in the range of 100-115 days for the desi type and 110-125 days for the kabuli type. Chickpea production works well in rotation with cereal grains such as spring or durum wheat. Nitrogen fertilizer is usually not required since chickpeas possess the ability to fix nitrogen from the air in nodules on the roots

where it is used for plant growth. To maximize the nitrogen fixation ability, chickpea seed should be inoculated with the chickpea strain of nitrogen-fixing inoculants.

The stage of crop development should be closely monitored nearing harvest, as weathered seed and dark seed discolouration (green, brown, black) makes the seed less desirable to most processors and consumers. Kabuli chickpea colour is especially important because buyers prefer a yellowish-cream colour. Early fall frost can result in green discolouration of immature kabuli chickpea seed, which will reduce the value of the crop. Other important factors affecting visual

quality are levels of admixture, seed size and seed uniformity. The use of conveyors instead of augers when handling chickpeas will reduce mechanical damage. The Canadian chickpea harvest generally occurs during the period from late-August to early October.

Marketing

All of the chickpeas produced in Canada are sold on the open market to dealers, mainly in Saskatchewan, who buy, clean and ship chickpeas to domestic and export consumers. There is also some dehulling and splitting of desi chickpeas in Saskatchewan. Some chickpeas are grown, under production contracts, which guarantee a price for part of the production, and others are sold on the spot market. Chickpeas are shipped mainly bagged in containers, although some are also shipped bulk in containers or bulk inside the hold of ships.

Domestic Use

Domestic use consists of food, feed, seed, dockage and waste. Only small volumes of low quality chickpeas are used for livestock feed, however nutritional analysis indicates that they make an excellent feed for hogs, cattle and poultry.

Exports

Canadian chickpea exports had been increasing, in line with the increase in production, and Canada became the world's third largest exporter in 2000 and 2002. Since then, exports have decreased as production has fallen, and Canada became the fifth largest exporter in the world. The main markets by region, with the leading countries in brackets, are Asia (India, Bangladesh, Pakistan), Europe (Spain, Italy, Portugal, France, Belgium, Greece), the Middle East (United Arab Emirates, Jordan, Saudi Arabia, Lebanon), Africa (Algeria, Morocco, Egypt), South America (Colombia, Brazil, Trinidad and Tobago), and the US. Exports to Asia are mainly of the desi type, although exports of the kabuli type are also significant. Exports to the other regions of the world are mainly of the kabuli type.

Prices

Canadian prices are largely determined in the international market because Canada exports most of its production. Although prices of the large kabuli type are higher than the desi type, they are also more volatile. Prices of the large kabuli type increase as the size of the seed increases from 7 mm, to 8 mm, to 9 mm and to 10 mm. The producer receives a weighted

CANADA: CHICKPEA SUPPLY AND DISPOSITION

<i>August-July crop year</i>	2000 -2001	2001 -2002	2002 -2003	2003 -2004p	2004 -2005f
Seeded Area (kha)	295	486	221	63	57
Harvested Area (kha)	283	467	154	63	50
Average Yields (t/ha)	1.37	0.97	1.01	1.08	1.10
.....thousand tonnes.....					
Carry-in Stocks	15	30	140	60	20
Production:					
Large Kabuli	155	185	55	23	25
Small Kabuli	38	115	31	15	19
Desi	195	155	70	30	11
Total Production	388	455	156	68	55
Imports	5	12	9	3	5
Total Supply	408	497	305	131	80
Exports:					
Asia	119	94	71	35	18
Europe	20	19	9	16	10
United States	3	4	4	6	5
South America	1	1	1	3	4
Central America	1	1	1	3	1
Africa	15	4	3	4	1
Middle East	16	21	10	3	1
Total Exports	179	147	104	75	40
Total Domestic Use	199	210	141	36	35
Total Use	378	357	245	111	75
Carry-out Stocks	30	140	60	20	5
Stocks-to-use ratio (%)	8	39	24	18	7
Harvested Area (kac)	699	1,154	381	156	124
Yield (lbs/ac)	1,200	840	900	960	980
Average producer price*					
Large Kabuli	\$/t 672	529	518	507	550
\$/lb 0.305	0.240	0.235	0.230	0.250	
Small Kabuli	\$/t 518	353	353	309	330
\$/lb 0.235	0.160	0.160	0.140	0.150	
Desi	\$/t 331	353	342	231	287
\$/lb 0.150	0.160	0.155	0.105	0.130	

* Saskatchewan, No.1 CW grade

p: preliminary estimate; f: forecast, AAFC, September 2004

Source: Statistics Canada, AAFC

average price for kabuli chickpeas based on the percentage of various sized seed. The price of the small kabuli type is generally higher than for the desi type, but lower than the weighted average large kabuli type price. Since there is no futures market for chickpeas, prices are negotiated directly between producers and dealers based on supply and demand factors for each type of chickpea.

Organizations

The Canadian Grain Commission (CGC) administers quality standards for chickpeas. The grades are No.1, 2 and 3 Canada Western (CW) Kabuli, and No.1, 2 and 3 CW Desi. Chickpeas which do not meet the listed grade standards are graded Sample CW. The major quality concerns in chickpea grading are damage due to heating and peeling, split or broken seed, seed discolouration, as well as foreign material. For further information, or to access the Official Grain Grading Guide, please visit the CGC website: (www.grainscanada.gc.ca)

The Canadian Special Crops Association (CSCA) (www.specialcrops.mb.ca) establishes trade rules for domestic trade and serves as a forum for exporters, dealers and brokers involved in the industry of trading Canada's pulse and special crops, including chickpeas. The website includes a section where buyers can submit a request for prices.

Pulse Canada (www.pulsecanada.com) is an industry organization, with the CSCA and provincial pulse growers' organizations as members. It is involved in market development and market access, coordination of scientific research and development, and policy issues. The website contains information on pulse crops, markets, and health and nutrition.

UTILIZATION

More than 90% of chickpeas are consumed in the countries where they are produced. Chickpeas are used almost exclusively for human consumption. The desi type seed must be dehulled and is used

whole or split or milled. In India and surrounding countries, the desi chickpeas are used whole, shelled and split to produce dhal, or ground into a fine flour called *besan*. *Besan* is used in many ways for cooking, including mixed with wheat flour to make roti or chapatti, and for making sweets and snacks. Chickpeas are also used as a vegetable. In the Middle East, consumption is based on a popular dish known as "hummus" which is produced from mashed chickpeas mixed with oil and spices. The kabuli types are used mainly in salad bars and vegetable mixes. They are also used in preparing a wide variety of snack foods, soups, sweets, and condiments. Smaller size kabuli chickpeas are also milled for flour. Kabuli chickpeas are substituted for desi chickpeas if the price is competitive.

Healthy Diet

Pulses, including chickpeas, are increasingly being used in health-conscious diets to promote general well-being and reduce the risk of illness. They are low in sodium and

fat, high in protein, and are an excellent source of both soluble and insoluble fibre, complex carbohydrates, vitamins (especially B vitamins) and minerals (especially potassium, phosphorus, calcium, magnesium, copper, iron and zinc). Chickpeas are an inexpensive, high quality source of protein.

Since chickpeas are high in fibre, low in sodium and fat, and are cholesterol free, they are an excellent heart healthy food that may be beneficial to the prevention of coronary and cardiovascular disease.

Eating chickpeas may help lower blood cholesterol levels due to their high content of soluble fibre and vegetable protein.

Chickpea consumption can be beneficial in the management of type-2 diabetes because they have a low glycemic index of 55 or less, indicating that their effect on blood glucose is less than that of many other carbohydrate containing foods. Chickpeas also have other health effects, such as reducing blood lipids, that may help some serious complications of diabetes.

Flour made from chickpeas is gluten free and is a very nutritious option for people with celiac disease.

Chickpeas fit well in vegetarian diets as they are a good source of iron and protein, and complement the amino acid profile of cereal grains and nuts.

Insoluble dietary fibre consumption can be beneficial to a healthy colon and has been associated with reducing the risk of colon cancer. In addition, diets high in fibre have demonstrated beneficial effects on weight loss because they deliver more bulk and less energy.

Chickpeas are an excellent source of the B vitamin folate which is an essential nutrient. In addition, folate consumption during pregnancy has been shown to reduce the risk of neural tube defects.

OUTLOOK: 2004-2005

World

World production is forecast to decrease by 9% from 2003-2004 to 7.9 Mt, with decreases for both the desi and kabuli types. Total supply is expected to decrease by 5% to about 8.3 Mt. The world production forecast for 2004-2005 is preliminary as seeding in the countries of the Indian sub-continent does not occur until October and November, the

WORLD: CHICKPEA EXPORTS AND IMPORTS

calendar year	1998	1999	2000	2001	2002
	.....thousand tonnes.....				
EXPORTS					
Mexico	111	155	159	207	143
Iran	62	33	19	124	140
Canada*	12	21	133	149	125
Turkey	158	102	50	154	105
Australia	165	127	307	267	94
United States	10	23	35	30	23
Other	66	49	50	62	113
Total	584	510	753	993	743

IMPORTS

India	110	11	64	517	218
Pakistan	21	15	165	106	182
Spain	41	56	59	69	58
Bangladesh	22	55	29	38	57
UAE	37	25	27	32	35
Algeria	37	38	37	70	34
Saudi Arabia	20	13	19	25	23
Italy	19	18	18	23	22
Jordan	18	19	18	22	21
Tunisia	18	19	18	20	19
United Kingdom	15	12	16	16	18
Sri Lanka	15	12	14	13	17
United States	12	12	12	11	12
Portugal	9	7	10	12	12
Turkey	21	8	7	14	11
France	12	9	13	13	11
Lebanon	9	7	9	17	10
Colombia	10	9	8	10	10
Other	60	59	65	83	78
Total	506	404	608	1,111	848

The difference between imports and exports is attributed to the timing of delivery and international classification differences.

Source: FAO, except * which is Statistics Canada, Sept. 2004

Australian harvest occurs in November and December and information about the crop in the Middle East is limited.

Canada

Area seeded in Canada decreased by 8%. Production is forecast to decrease by 19% to 55,000 t, as increases for the large and small kabuli types are more than offset by a decrease for the desi type. Supply is expected to decrease by 39% to 80,000 t because of lower carry-in stocks. Exports are expected to decrease due to the lower supply. Carry-out stocks are forecast to decrease to a low level. Lower world supply is expected to support prices of all types of chickpeas.

US FARM SECURITY AND RURAL INVESTMENT ACT OF 2002 (FSRIA)

Lentils, dry peas and small chickpeas were included, for the first time, under the loan program in 2002. The loan rate provides a floor return for small chickpea producers because if the market price is lower than the loan rate, the producer is eligible for a loan deficiency payment (LDP). This makes it easier for producers to obtain operating loans. The loan rate for small chickpeas was US\$7.56 per 100 pounds (cwt) for crop years 2002 and 2003, and is US\$7.43/cwt for 2004 to 2007. Small chickpeas are defined as those that "drop below a 20/64 screen" or less than 7.8 mm, which means the desi and small kabuli types. US production is nearly all the large kabuli type. There were no LDPs for crop year 2002, but for most of crop year 2003 the LDPs were US\$1.56/cwt, but later in the year they gradually rose to US\$2.56/cwt. For crop year 2004, the LDPs started at US\$1.43/cwt, but gradually increased to the current rate of US\$2.43/cwt. The base quality for the 2002 crop year was No.1 grade, but was lowered starting with the 2003 crop year to No.3 grade, which made it easier to qualify for LDPs. US seeded area for small chickpeas for 2002 and prior years is not available, but was estimated to have been very small. For 2003, the area was 2,428 ha and for 2004 2,671 ha. Although including small chickpeas under the loan program has encouraged additional seeding, small chickpea production in the US is still low. Small chickpeas are produced mainly in North Dakota, South Dakota and Idaho. Large chickpea production is mainly in California, Washington and Idaho.

Crop development has been later than normal due to cool weather through most of the growing period. The harvest has been delayed due to late crop development and by wet weather. Average yields are forecast to be near trend, but abandonment is expected to be higher than normal and average quality lower than normal due to wet weather and harvest delays.

India

Chickpeas in India are grown as a winter crop in the central and north-western parts of the country. Nearly all of the chickpeas produced in India are the desi type. Chickpeas are generally seeded in October and November and harvested mainly in March and April. Most of the rainfall in the chickpea growing areas occurs during the summer monsoon season, which normally lasts from early June to early October in the central parts of the country and mid-June to late September in the north-western parts. The monsoon rainfall provides moisture for the summer crops and a moisture reserve for winter crops, such as chickpeas. Chickpeas are generally grown without irrigation. In 2004, the monsoon rainfall has been lower than normal in most chickpea growing areas. Therefore, the chickpea areas will have below normal moisture reserves and will be dependent on winter rains. However, winter rainfall is much lower and less reliable than during the summer. Although there is a great deal of uncertainty about the 2004-2005 chickpea crop in India, production is expected to decrease. Lower production would increase imports of desi chickpeas. Imports of kabuli chickpeas would also increase, although prices would have to be competitive with the desi type. Therefore most of the imports of the kabuli type would be of the smaller size seed. In addition, imports of yellow peas would also increase because they are used as a cheaper substitute for desi chickpeas. Larger imports of desi and kabuli chickpeas, and yellow peas would strengthen Canadian prices for desi and kabuli chickpeas, as well as for yellow peas.

OUTLOOK: CANADA LONGER TERM

The main reason for the drop in seeded area since 2001-2002 has been the difficulty and high cost of controlling ascochyta blight. A second major reason is that the current varieties tend to grow

until they are under stress, which could be drought or frost. The ideal growing conditions are moderate precipitation and normal to above normal temperatures from seeding to about the end of July and then drought for the maturing and harvest periods. Work is underway to develop varieties which are more resistant to ascochyta blight and mature earlier, making them more suitable for Canadian growing conditions. Work is also underway to develop larger kabuli chickpeas and desi chickpeas with light tan or tan seed colour, which is expected to increase market opportunities for Canadian chickpeas. When these varieties are developed, the seeded area is expected to increase significantly.

For periodic updates on the situation and outlook for chickpeas, visit the Market Analysis Division Website for "Canada: Pulse and Special Crops Outlook."

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Bi-weekly Bulletin

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CHINA: WHEAT

In 2003-2004, China was the largest export market for Canadian wheat with an estimated value of \$400 million. For 2004-2005, Canadian wheat exports to China are forecast at about 2 million tonnes (Mt), slightly higher than 2003-2004. China is expected to rely heavily on carry-over stocks and wheat imports to address the shortfall created by consumption exceeding domestic production. In view of the importance of trade and the tariff rate quotas for Chinese wheat imports, prompted by China's entry into the World Trade Organization (WTO), this issue of the *Bi-weekly Bulletin* examines the situation and outlook for Canadian wheat exports to China for 2004-2005 and over the medium-term.

AGRICULTURAL POLICY FOR WHEAT HAS BECOME LESS PROTECTIVE

China has concentrated on reducing the area devoted to inefficiently produced crops and increasing area for high value, labour intensive crops in which China has some advantages. In several provinces, the price protection policy has been eliminated, but the policy still remains in the major wheat producing provinces. However, these protected prices have consistently been well below the domestic prices for wheat.

Chinese wheat stocks, which had reached a high of 103 Mt in 1999-2000, are estimated by the United States Department of Agriculture (USDA) to have fallen to their lowest levels in 25 years. With accession to the WTO in December of 2001, China has made commitments to open its markets to agricultural imports. In 2004-2005, China is expected to import more wheat than it has in 10 years.

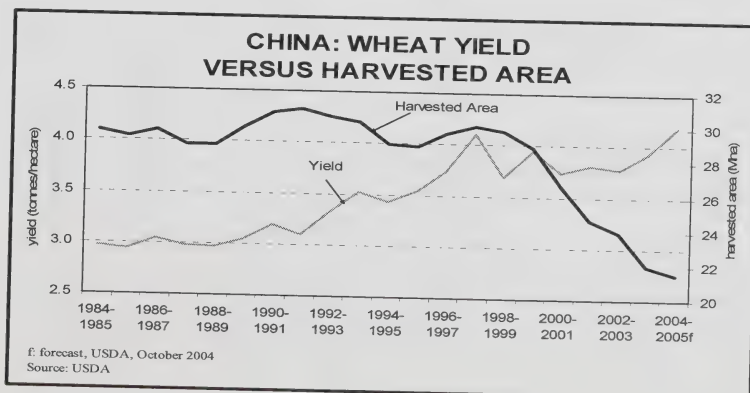
The central purchasing agency, China National Cereals, Oils and Foodstuffs Import Export Corporation (COFCO), continues to play an important role in the importation of wheat, rice and edible oils. This government designated grain buying agent controls 90% of wheat imports into China. Private trading companies and mills apply for allocations for the remaining 10%.

PRODUCTION HAS FALLEN DUE TO LOWER HARVESTED AREA

Over the last 5 years, Chinese winter and spring wheat areas have

been approximately 90% and 10%, respectively, of the total wheat acreage. The main winter wheat producing area in China is the province of Henan, in the east-central area of the country, which accounts for about 33% of total wheat in both area and production. High quality wheat accounts for nearly 40% of Henan's total wheat acreage.

Chinese harvested wheat area has fallen each year since 1997-1998 and is currently forecast at 21.5 million hectares in 2004-2005, the lowest in modern times. For 2004-2005, Chinese wheat



production is forecast at 90 Mt, up slightly from 2003-2004, largely due to expected record winter wheat yields.

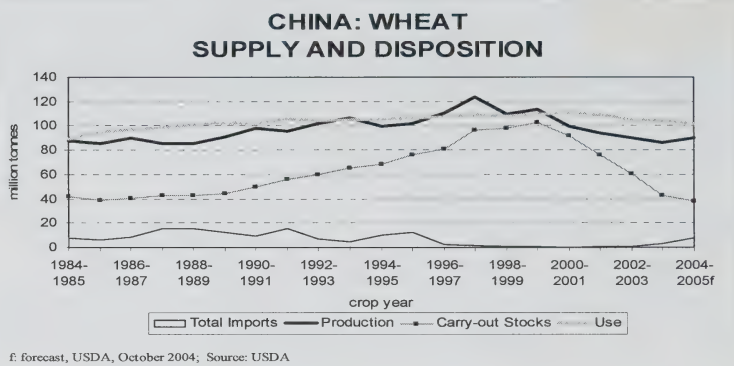
RESEARCH HAS LED TO HIGHER QUALITY VARIETIES TO BETTER SERVICE DOMESTIC DEMAND

High quality wheat production is expected to account for 30% of the 2004-2005 crop, compared to near zero production 5 years ago, due to government incentives to seed producers as well as increasing market demand.

Millers have reported that domestic production can now provide more wheat that meets milling properties, that was in the past mainly provided by imports. Higher protein and gluten content is the most noted improvement. Most millers have stated they must still import wheat to blend but the proportion of wheat imports needed is less.

CONSUMPTION PATTERNS IN URBAN AREAS ARE SHIFTING TO A MORE BALANCED DIET

Wheat supplies have fallen by nearly 40% since 1999-2000 due to reduced seeded area, while Chinese imports have remained relatively low up until 2003-2004. Chinese per capita wheat



consumption has in fact been shifting downward from a high of 85 kilograms (kg) in 1993 to 70 kg in 2003. In urban areas, however, per capita wheat consumption is estimated at 26 kg, by the Economic Research Service, USDA. Consumers have increasingly diversified their diets to include more vegetables, fruits, and meats, while consuming fewer grains. This shift in consumption patterns is most pronounced in the urban areas where consumers have higher incomes, better access to alternative foods, and have ownership of more refrigerators and freezers to store perishables.

For 2004-2005, Chinese domestic use is forecast at 102 Mt, down slightly from 2002-2003 and the lowest since 1990-1991.

FEED USE HAS DECLINED AS WHEAT QUALITY IMPROVED

Feed use has also fallen, from a high of 10.0 Mt in 2000-2001 to 6.0 Mt in 2003-2004. The outbreak of the avian influenza in late 2003 reduced demand for feed as poultry flocks were depopulated. As a result, 2004-2005 feed wheat use is forecast at 4.0 Mt, down one third from last year.

CHINA IS EXPECTED TO CONTINUE TO BE A NET IMPORTER OF WHEAT

China was obligated to open a 9.636 Mt tariff rate quota (TRQ) for wheat in the 2004 calendar year, as a result of China's entry into the WTO in December of 2001. Under this agreement the wheat within this TRQ would have a 1% tariff, with imports beyond this quota carrying a duty of 65%.

In 2003-2004, the fill rate for the wheat TRQ was only 5%, according to USDA data. The effective value added tax on domestic wheat and imports is 13%. Nevertheless, low stocks of domestic wheat are expected to lead to a rise in imports for 2004-2005. For 2004-2005, wheat imports are forecast by USDA at 8 Mt, up from 3.8 Mt in 2003-2004, and the highest since 1995-1996.

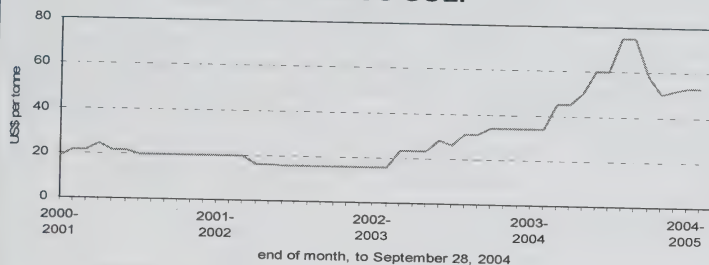
CHINA: WHEAT SUPPLY AND DISPOSITION

<i>July-June crop year</i>	2000 -2001	2001 -2002	2002 -2003	2003 -2004	2004 -2005f
	.....million tonnes.....				
Carry-in Stocks	102.9	91.9	76.6	60.4	43.3
Production	99.6	93.9	90.3	86.5	90.0
Imports	0.2	1.1	0.4	3.8	8.0
Total Supply	202.7	186.9	167.3	150.7	141.3
Food, Seed	100.2	99.8	98.7	98.6	98.0
Feed, Waste and Dockage	10.0	9.0	6.5	6.0	4.0
Exports	0.6	1.5	1.7	2.8	1.0
Total Use	110.8	110.3	106.9	107.4	103.0
Carry-out Stocks	91.9	76.6	60.4	43.3	38.3
Stocks-to-use Ratio (%)	82.9	69.4	56.5	40.3	37.2

f. forecast, USDA, October 2004

Source: USDA

OCEAN FREIGHT RATES* TO CHINA FROM US GULF



* for heavy grains (wheat, corn and soybeans)
Source: International Grains Council

Despite record ocean freight rates in 2003-2004, Canadian wheat exports to China increased from 154,000 tonnes (t) in 2002-03 to 1.7 Mt in 2003-2004. For 2004-2005, Canadian wheat exports to China are forecast at about 2.0 Mt, the highest since 1995-1996. Canadian wheat exports to China now consist largely of No.1 and No.2 Canada Western Red Spring with high protein levels. Over 50% of the wheat purchased in 2003-2004 was high quality compared to just 20%, 8 years ago. The other Canadian class of wheat exported to China is Canada Prairie Spring Red Wheat. In 2003-2004, the other major suppliers of wheat to China were the US at 1.4 Mt and Australia at 0.3 Mt.

According to the USDA, US wheat exports to China in 2003-2004 consisted of 0.6 Mt of Soft red Winter (SRW), 0.6 Mt of hard red spring (HRS), and 0.2 Mt of soft

white winter (SWW) wheat. As of October 6, 2004-2005 US wheat export sales commitments to China total 2.0 Mt, including 0.8 Mt of SRW, 0.8 Mt of HRS and 0.4 Mt of SWW wheat.

Chinese wheat exports are largely of feed quality, mainly to South Korea and the Philippines. Smaller amounts are sold to Vietnam, Hong Kong and Indonesia. Wheat is priced very low to compete with the large supplies in India and Ukraine. For 2004-2005, Chinese wheat exports are forecast at 1.0 Mt, down 63% from last year and below the 5-year average of 1.4 Mt.

STOCKS ARE EXPECTED TO CONTINUE TO FALL DUE TO CHANGES IN DOMESTIC POLICY

Even though food consumption of wheat has been falling since the early 1990s, government policy encouraged production increases

until 1999-2000. As a result, production surpassed consumption from 1996-1999. By the end of the 1999-2000 crop year, Chinese wheat carry-out stocks were estimated to be similar to annual consumption which imposed high costs on the government. To reduce these costs, the government eliminated protective prices and government procurement in many provinces and auctioned off older low quality domestic wheat stocks. These stocks were largely consumed domestically as feed in the livestock and poultry sectors.

With wheat production falling from 114 Mt in 1999-2000 to 86 Mt in 2003-2004, Chinese wheat supplies are forecast to fall from a record 212 Mt in 1999-2000 to 141 Mt in 2004-2005. Total domestic use is forecast to be well below the 10-year average at 102 Mt, however, it is expected to exceed production for the fifth consecutive year. As a result, carry-out stocks are forecast by the USDA to decrease to 38 Mt, down 12% from 2003-2004 and the lowest since 1983-1984. The stocks-to-use ratio is forecast at 37%, down from 40% in 2003-2004.

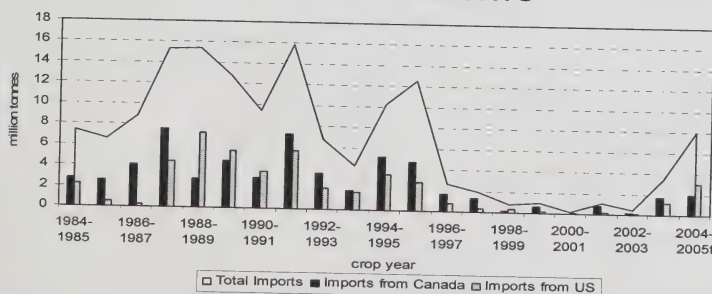
FLOUR EXPORTS TO CHINA ARE LIMITED DUE TO CHINA'S TRQ

For 2004-2005, Canadian exports of flour to China are forecast at 1,400 t, similar to last year. Chinese import tariffs for wheat flour are included in the wheat TRQ. However, the in-quota duty is 6% and the over-quota duty is 65%.

CHINA IS EXPECTED TO CONTINUE IMPORTING WHEAT AS IT REDUCES ITS CARRY-OUT STOCKS

Chinese wheat purchasing delegations recently have visited several of the major wheat exporting countries. China has already committed to purchase about 5 Mt from Canada, the US and Australia in 2004-2005 which has supported world wheat prices.

CHINA: WHEAT IMPORTS



f. forecast, USDA, October 2004; Source: USDA

China's wheat supplies in recent years have been covered by drawing down its once large stocks of wheat. Although the size of the stocks is somewhat uncertain, these will eventually be depleted and will likely force the government to cover this shortfall with increased wheat imports. For 2004-2005, Chinese wheat imports are unlikely to exceed the current USDA forecast of 8.0 Mt.

According to the USDA Agricultural Baseline Projections, China's economic growth, which has consistently been the strongest in Asia, is expected to average about 7% over the next decade. The population growth rate is expected to slow to 0.6% in the next decade, compared to 1.5% from 1981-1990. However, China's urban population is expected to rise by 300 million people over the next 20 years.

China is expected to continue to be deficit in wheat. According to the US Food and Agricultural Policy

Research Institute, Chinese wheat supplies are forecast to fall by 11% to 119 Mt through to 2013-2014. Wheat consumption is expected to remain relatively flat, rising marginally to 108 Mt in 2013-2014. As a result, Chinese wheat stocks are forecast to continue to fall to 21.5 Mt in 2013-2014. With this expected fall in wheat stocks, Chinese wheat imports are forecast to continue to increase.

The Canadian Wheat Board has forecast total Chinese wheat imports to rise to 5-10 Mt annually over the next decade, with demand strongest for high quality, high protein wheat. Canada is expected to be well positioned to continue to service China's expanding import market for wheat.

CANADA: WHEAT EXPORTS TO CHINA

August-July crop year	2000 -2001	2001 -2002	2002 -2003	2003 -2004	2004 -2005f
	.....thousand tonnes.....				
wheat	16.5	767.1	153.9	1,706.1	2,000.0
wheat flour	1.3	1.2	1.5	1.4	1.4

f: forecast, AAFC, October 2004

Source: Canadian Grain Commission

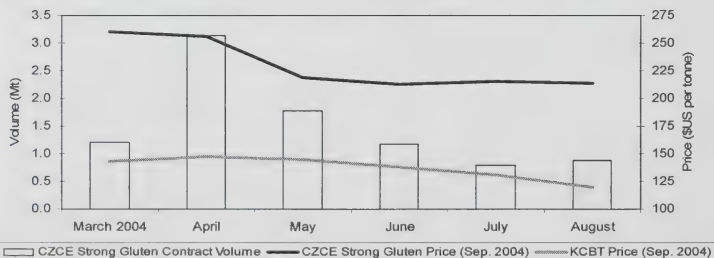
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ZHENGZHOU COMMODITY EXCHANGE (CZCE): NEW WHEAT FUTURES CONTRACT

The CZCE announced on March 4, 2003 that it would start trading in high quality wheat futures on March 28, 2004. The contracts months are January, March, May, July, September and November. Contracts are denominated in yuan/short ton (y/st) and each contract is 10 y/st, with a 3% limit to daily movements. The Exchange already deals in futures for lower-quality wheat. Zhengzhou is in the Province of Henan.

ZHENGZHOU COMMODITY EXCHANGE: WHEAT PRICE VERSUS VOLUME



Source: Kansas City Board of Trade, CZCE

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CANADA: GRAINS AND OILSEEDS OUTLOOK

October 8, 2004

For 2004-05, grain and oilseed production in Canada is forecast by AAFC to increase to 60.5 million tonnes (Mt), from 59.6 Mt in 2003-04. The production forecasts are based on Statistics Canada's September production estimates which are tentative, as the survey was taken before harvest started in most regions. Production in western Canada is expected to increase by 5% from 2003-04, to 46 Mt, while production in eastern Canada is forecast to fall by 6%, to 14.5 Mt. The harvest in Western Canada is currently about 50% complete, compared to about 90% normally, due to slow crop development and wet harvest conditions. The quality of all crops is expected to be below normal, with a smaller percentage of each crop falling into the top grades. In eastern Canada, crop development has also been delayed by cool, wet conditions, but normal quality for corn and soybeans is expected.

Total supplies of grains and oilseeds in Canada for 2004-05 are forecast to increase due to higher production and larger carry-in stocks. Total exports are forecast to decrease marginally to about 25 Mt. Total domestic usage and carry-out stocks are also forecast to increase. World prices for all grains and oilseeds, except flaxseed, are expected to decline due to increased world supplies, with prices in Canada further pressured by the strong Canadian dollar. The major factors to watch for 2004-05 are harvest conditions and crop quality in Canada, the production of corn and soybeans in the US, import demand from China, EU export policy and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2004-05, production is estimated to increase slightly, due to higher yields in western Canada. Supplies are forecast at 24.1 Mt, 3% above 2003-04 but about 1.2 Mt below the 10-year average. The proportion of the CWRS crop falling into the top 2 grades is expected to be well below normal, due to frost and moisture damage. Domestic use is projected to rise by 6%, largely due to greater feed use, resulting from increased supplies of low quality wheat in western Canada. Total exports are forecast to increase slightly, with higher exports from western Canada offsetting lower exports from Ontario. The projections are highly tentative, and assume that a significant quantity of feed wheat will be exported. Carry-out stocks are forecast to decline slightly. The CWB Sept. Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$195/t, in-store Vancouver/St. Lawrence (1/S VC/SL), down by \$10/t from 2003-04. Protein premiums are expected to increase, with the PRO for No.1 CWRS 13.5% at \$211/t, \$1/t above 2003-04.

DURUM

Production is estimated to increase by almost 10%, due to much-improved moisture conditions in the durum growing region. Supplies will rise by 10%, to 6.5 Mt, slightly above the 10-year average. Despite increased supplies, exports are expected to decline marginally, as world import demand for durum wheat is expected to remain weak due to large crops in the EU and North Africa. Quality problems in both regions, however, may increase the need to import good quality durum for blending. While Canadian durum quality will likely be below normal, it should be better than CWRS wheat, and supplies of high quality durum are expected to be adequate. Carry-out stocks are projected to increase by 17% to 2.1 Mt, 0.4 Mt above the 10-year average. The CWB PRO for No.1 CWAD 11.5% protein is up by \$11/t from July at \$211/t, 1/S VC/SL, but remains \$14/t below 2003-04.

BARLEY

Production is estimated to increase by 6% due to higher yields, despite lower seeded area. Supplies are expected to rise by 10% due to higher carry-in stocks. Feed use is projected to increase significantly, due to higher supplies in western Canada and increased shipments to eastern Canada. Exports of malting barley are expected to drop significantly as lower crop quality reduces the selection rates, although import demand from China is projected to rise sharply. Exports of feed barley, for the crop year, are expected to increase significantly from 2003-04 due to increased supplies and low prices. Carry-out stocks are forecast to increase sharply. Off-Board feed barley prices are expected to decrease by about \$25/t from 2003-04 to \$110/t, due to increased domestic supplies and lower US corn prices. The CWB Sept. PRO for No.1 CW Feed Barley for the first pool period (Aug-Jan) is \$113/t 1/S VC/SL, vs. \$167/t for 2003-04. The PRO for Special Select Two Row designated barley is expected to decrease to \$186/t from \$200/t for 2003-04, mainly due to higher supplies expected in Europe and Australia.

OATS

Production is estimated to decrease by 5%, as higher yields have only partially offset lower harvested area. Supplies are expected to rise slightly due to higher carry-in stocks. Exports, mainly to the US, are expected to rise slightly due to lower exportable supplies from Scandinavia. Due to lower US corn prices, oat prices are forecast to fall. US oats are expected to be priced at a premium of 10% to corn on a per tonne basis.

CORN

Production is estimated to decrease by 15%, due to lower seeded area and yields. Supplies are projected to decrease by 8%, as larger carry-in stocks and higher imports only partially offset lower production. Corn imports are expected to rise, as a result of lower production in eastern Canada. The feed use of corn is forecast to decline significantly as feed wheat and barley replace some of the corn. Carry-out stocks are forecast to decline sharply. Chatham corn prices are forecast to drop to \$120/t, due mainly to record US corn production.

CANOLA

Production is estimated to increase by 3%, but supplies are expected to decrease slightly due to lower carry-in stocks. Crop quality is expected to be significantly lower than normal. Domestic crush and exports are each forecast to drop by about 10%, due to lower domestic supplies of canola and higher waste and dockage. Carry-out stocks are expected to be historically low although higher than 2003-04. The average Vancouver cash price is forecast to decrease to \$340/t due to pressure from lower US soyoil prices, higher Canadian and world canola/rapeseed production and the stronger Canadian dollar.

FLAXSEED (excluding solin)

Production is estimated to decrease by 11% and supplies are also expected to decrease significantly due to lower production and carry-in stocks. Exports are forecast to decrease due to lower supplies and weaker EU demand. Carry-out stocks are expected to decrease and the average cash price is forecast to increase to \$410/t.

SOYBEANS

Production is estimated to increase by 29%, and supplies are expected to rise by 12% due to lower imports than 2003-04. Domestic use is expected to rise by 17%, and return to a level similar to previous years. Exports are projected to decline slightly due to competition from large US and South American supplies. The average Chatham price is forecast to fall to \$280/t, due to lower US soybean prices, related to higher world production, and the stronger Canadian dollar.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

October 8, 2004

Grain and Crop Year	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use (e)	Feed, Waste & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (f) \$/t
(a)											
----- thousand metric tonnes-----											
Durum											
2002-2003	2,246	1.73	3,877	6	5,427	2,968	276	328	841	1,619	271.23
2003-2004	2,459	1.74	4,280	1	5,900	3,427	258	215	683	1,790	225 *
2004-2005f	2,094	2.23	4,671	1	6,461	3,400	260	501	961	2,100	211 *
Wheat Except Durum											
2002-2003	6,590	1.87	12,321	173	17,678	6,223	2,796	3,738	7,348	4,107	241.00
2003-2004	8,009	2.41	19,272	16	23,395	12,299	2,628	3,389	6,824	4,273	205 *
2004-2005f	7,812	2.53	19,791	20	24,084	12,800	2,625	3,720	7,184	4,100	195 *
All Wheat											
2002-2003	8,836	1.83	16,198	178	23,105	9,191	3,073	4,066	8,189	5,725	
2003-2004	10,467	2.25	23,552	18	29,295	15,726	2,886	3,604	7,507	6,062	
2004-2005f	9,907	2.47	24,462	21	30,545	16,200	2,885	4,221	8,145	6,200	
Barley											
2002-2003	3,348	2.24	7,489	259	9,796	945	175	6,755	7,376	1,475	171.88
2003-2004	4,446	2.77	12,328	36	13,838	2,444	311	8,555	9,288	2,106	135.80
2004-2005f	4,265	3.06	13,040	40	15,187	2,150	375	9,307	10,137	2,900	100-120
Corn											
2002-2003	1,283	7.01	8,999	3,904	13,958	308	2,385	10,121	12,540	1,111	145.34
2003-2004	1,226	7.82	9,587	2,063	12,761	283	2,415	8,907	11,335	1,143	137.18
2004-2005f	1,108	7.36	8,160	2,400	11,703	150	2,650	8,118	10,803	750	110-130
Oats											
2002-2003	1,379	2.11	2,911	21	3,294	1,190	132	1,255	1,580	524	193.91
2003-2004	1,575	2.34	3,691	19	4,234	1,559	156	1,548	1,875	800	136.65
2004-2005f	1,425	2.45	3,488	20	4,309	1,600	170	1,589	1,959	750	120-140
Rye											
2002-2003	77	1.74	134	2	185	52	38	43	103	30	139.67
2003-2004	147	2.22	327	1	358	50	47	193	258	50	104.44
2004-2005f	167	2.41	403	2	455	80	48	240	305	70	80-100
Mixed Grains											
2002-2003	132	2.72	359	0	359	0	0	359	359	0	
2003-2004	135	2.84	384	0	384	0	0	384	384	0	
2004-2005f	116	2.90	336	0	336	0	0	336	336	0	
Total Coarse Grains											
2002-2003	6,218	3.20	19,892	4,185	27,592	2,495	2,730	18,532	21,958	3,139	
2003-2004	7,529	3.50	26,317	2,119	31,575	4,336	2,930	19,588	23,140	4,099	
2004-2005f	7,081	3.59	25,428	2,462	31,989	3,980	3,243	19,589	23,539	4,470	
Canola											
2002-2003	3,262	1.35	4,407	239	5,896	2,394	2,225	343	2,607	894	415.09
2003-2004	4,689	1.44	6,771	242	7,907	3,754	3,390	110	3,541	612	387.04
2004-2005f	4,939	1.42	7,001	220	7,833	3,400	3,000	586	3,632	800	320-360
Flaxseed											
2002-2003	633	1.07	679	27	892	577	n/a	n/a	186	128	401.97
2003-2004	728	1.04	754	22	905	609	n/a	n/a	199	97	382.13
2004-2005f	646	1.04	672	20	789	550	n/a	n/a	164	75	390-430
Soybeans ^{1/}											
2002-2003	1,024	2.28	2,336	651	3,159	723	1,763	419	2,291	145	307.55
2003-2004	1,047	2.17	2,268	586	2,999	905	1,500	325	1,954	140	395.04
2004-2005f	1,230	2.37	2,920	300	3,360	850	1,750	480	2,330	180	260-300
Total Oilseeds											
2002-2003	4,919	1.51	7,422	917	9,946	3,695	n/a	n/a	5,084	1,167	
2003-2004	6,464	1.52	9,794	850	11,811	5,268	n/a	n/a	5,694	849	
2004-2005f	6,815	1.55	10,593	540	11,981	4,800	n/a	n/a	6,126	1,055	
Total Grains And Oilseeds											
2002-2003	19,973	2.18	43,511	5,280	60,643	15,381	n/a	n/a	35,231	10,032	
2003-2004	24,461	2.44	59,663	2,986	72,681	25,330	n/a	n/a	36,341	11,010	
2004-2005f	23,802	2.54	60,482	3,023	74,515	24,980	n/a	n/a	37,810	11,725	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No. 1 CWRS 11.5% protein and No. 1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No. 2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No. 2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* September 2004 CWB Pool Return Outlook (PRO)

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

f. forecast - Agriculture and Agri-Food Canada October 8, 2004

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

October 8, 2004

For 2004-05, total Canadian pulse and special crops production is forecast to increase by 44%, from 2003-04, to 5.28 million tonnes (Mt), based on Statistics Canada's (STC) September production estimates and AAFC forecasts where STC estimates were not available. Total pulse and special crops supply is expected to increase by only 34% to 5.84 Mt, because of lower carry-in stocks. Although exports and domestic use are forecast to increase due to the higher supply, strong demand and lower prices for most crops, carry-out stocks are also expected to increase. Average prices, over all grades and markets, are forecast to increase from 2003-04 for dry beans, chickpeas and sunflower seed, decrease for dry peas, lentils, mustard seed and canary seed, and be the same for buckwheat. However, prices are expected to be volatile due to the late harvest and uncertainty about production volumes and quality.

Harvesting has been behind normal by one to five weeks. The dry pea and lentil harvest is nearing completion, but a significant portion of mustard seed and most of dry beans, chick peas, canary seed and buckwheat remain to be harvested. The sunflower seed harvest is expected to start in mid-October. Warm and dry weather is needed to complete the harvest. Average yields are expected to be near trend, but abandonment is expected to be higher than normal and average quality lower than normal due to damage from frost and wet weather. The main factors to watch are temperatures and precipitation in Canada, exchange rates, and crop and harvest conditions in the major producing countries, especially the US, Australia and India.

DRY PEAS

For 2004-05, production and supply are estimated to increase, due to a 10% increase in seeded area and higher yields.

Production increased for yellow, green and other types. World supply is expected to increase by 15% to 12.5 Mt, mainly because of higher production in Canada, EU, US and Australia, but this is expected to be mostly offset by increased use in both the feed and food markets. Canadian exports and domestic use are forecast to increase due to the higher supply and lower prices. For exports, most of the increase is expected to be to the EU and Asia. For domestic use, most of the increase is expected for feeding hogs. Carry-out stocks are forecast to increase with a stocks-to-use (s/u) ratio of 20%. The average price, over all types, grades and markets, is forecast to decrease due to the higher supply.

LENTILS

Production and supply are estimated to increase, due to a 36% increase in seeded area and higher yields. Production increased for large, medium and small green, red and other types. World supply is expected to increase by 15% to 3.63 Mt, due mainly to higher production in Canada and US. Canadian exports are expected to increase, as Canada's share of world supply increases and prices decrease. Carry-out stocks are forecast to increase, with a s/u of 18%. The average price, over all types and grades, is forecast to decrease due to the higher supply and lower average quality.

DRY BEANS

Production and supply are forecast to decrease, as a slight increase in seeded area is more than offset by lower yields, higher abandonment and lower carry-in stocks. Production and supply are expected to decrease for all classes, white pea, pinto, black, red kidney, cranberry, Great Northern, small red and pink beans. US

production is forecast to decrease due to a lower harvested area and lower yields.

Total US and Canadian supply of nearly all major classes of dry beans is forecast to fall. Canadian exports are forecast to decrease, due to lower supply, and carry-out stocks are expected to decrease to a low level. The average price, over all classes and grades, is forecast to rise due to the lower supply.

CHICKPEAS

Production is forecast to decrease, due to an 8% decrease in seeded area. Production is expected to increase for the large and small kabuli types, but decrease for the desi type. However, supply is forecast to decrease for all types due to lower carry-in stocks. World supply is expected to decrease by 5% to 8.3 Mt. Canadian exports are forecast to decrease due to lower supply. Carry-out stocks are forecast to decrease to a low level. The average price, over all types, sizes and grades, is forecast to increase due to the lower supply.

MUSTARD SEED

Production is estimated to increase as a small decrease in seeded area is more than offset by higher yields. Production is expected to increase for the oriental and yellow types and remain stable for the brown type. However, supply is forecast to increase for all types due to higher carry-in stocks. A significant portion of the carry-in stocks were low quality seed. In the US, production of the yellow type is expected to decrease. Canadian exports are expected to increase because of stronger demand and lower prices. Carry-out stocks are forecast to increase, with a s/u ratio of 53%. The average price, over all types and grades, is forecast to decrease due to the higher supply.

CANARY SEED

Production and supply are forecast to increase, due to a 29% increase in seeded

area, higher yields and higher carry-in stocks. World supply is forecast to increase by 43% to 405,000 t. Canadian exports are expected to increase because of higher supply and lower prices. Carry-out stocks are forecast to increase, with a stocks-to-use ratio of 57%. The average price is forecast to decrease because of the higher supply.

SUNFLOWER SEED

Production and supply are forecast to fall, due to a 26% decrease in seeded area and higher abandonment. Production is expected to decrease for both types, confectionary and oilseed. In the US, harvested area, production and supply are expected to decrease for both types. World supply is expected to decrease slightly to 27.4 Mt. Canadian exports and domestic use are expected to decrease due to the lower supply. The average price, over both types and all grades, is forecast to increase due to the lower supply.

BUCKWHEAT

Production is forecast to remain stable, as an increase in seeded area is offset by higher abandonment, while supply decreases due to lower carry-in stocks. World supply is forecast to increase slightly to 2.2 Mt. Canadian exports are forecast to increase, while carry-out stocks decrease to a negligible level. The average price, over all grades and markets, is forecast to be the same as in 2003-04, as lower Canadian supply offsets pressure from higher world supply.

FURTHER INFORMATION:

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

October 8, 2004

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----									
Dry Peas									
2000-2001	1,220	2.35	2,864	12	3,276	2,196	885	195	138
2001-2002	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004	1,271	1.67	2,124	24	2,458	1,272	981	205	175
2004-2005f	1,384	2.39	3,308	20	3,533	1,800	1,133	600	125-155
Lentils									
2000-2001	688	1.33	914	5	999	475	268	256	295
2001-2002	664	0.85	566	6	828	478	219	131	320
2002-2003	387	0.91	354	9	494	320	119	55	390
2003-2004	536	0.97	520	5	580	367	175	38	420
2004-2005f	719	1.30	938	5	981	550	281	150	310-340
Dry Beans									
2000-2001	162	1.65	268	40	348	227	71	50	465
2001-2002	175	1.70	298	42	390	263	97	30	725
2002-2003	219	1.89	414	40	484	297	117	70	445
2003-2004	167	2.14	357	31	458	347	86	25	495
2004-2005f	160	1.81	290	35	350	260	80	10	570-600
Chickpeas									
2000-2001	283	1.37	388	5	408	179	199	30	410
2001-2002	467	0.97	455	12	497	147	210	140	380
2002-2003	154	1.01	156	9	305	104	141	60	300
2003-2004	63	1.08	68	2	130	74	36	20	330
2004-2005f	50	1.10	55	5	80	40	35	5	370-400
Mustard Seed									
2000-2001	208	0.97	202	1	318	151	62	105	280
2001-2002	158	0.66	105	3	213	171	n/a	33	685
2002-2003	255	0.60	154	9	196	114	22	60	595
2003-2004	328	0.69	226	2	288	121	75	92	390
2004-2005f	313	0.90	281	2	375	160	85	130	330-360
Canary Seed									
2000-2001	164	1.04	171	0	261	170	21	70	265
2001-2002	163	0.70	114	0	184	134	20	30	660
2002-2003	227	0.78	176	0	206	164	22	20	575
2003-2004	243	0.91	220	0	240	170	n/a	67	345
2004-2005f	294	0.99	291	0	358	180	48	130	240-270
Sunflower Seed									
2000-2001	69	1.72	119	18	178	77	55	46	320
2001-2002	67	1.55	104	29	179	92	65	22	355
2002-2003	95	1.65	157	21	200	105	60	35	440
2003-2004	115	1.30	150	15	200	96	79	25	405
2004-2005f	75	1.47	110	15	150	80	60	10	495-525
Buckwheat									
2000-2001	15	0.93	14	1	16	9	7	0	305
2001-2002	14	1.14	16	1	17	6	8	3	325
2002-2003	12	1.00	12	1	16	6	7	3	340
2003-2004	9	1.11	10	1	14	5	7	2	355
2004-2005f	9	1.11	10	1	13	6	7	0	340-370
Total Pulse And Special Crops (c)									
2000-2001	2,809	1.76	4,940	82	5,804	3,484	1,568	752	
2001-2002	2,993	1.23	3,681	120	4,553	2,672	1,217	664	
2002-2003	2,399	1.16	2,788	130	3,582	1,738	1,231	613	
2003-2004	2,732	1.35	3,675	80	4,368	2,452	1,442	474	
2004-2005f	3,004	1.76	5,283	83	5,840	3,076	1,729	1,035	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chickpeas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, October 8, 2004

n/a: Total domestic use is calculated residually. Based on current data on exports and carry-out stocks, it appears that Statistics Canada's production estimate may be low or carry-out stocks high resulting in a very low residual.

Source: Statistics Canada and industry consultations.

B. CASH PRICES AND REPLACEMENT VALUES

October 18, 2004

PRAIRIE GRAINS

Selected Points	Price Basis		This week 18-Oct-04	Last week 4-Oct-04	Month ago 20-Sep-04	Year ago 20-Oct-03
From: Thunder Bay(WCE) (2)	In-Store	Wheat	103.00	104.00	116.80	155.00
(CBOT)		Oat	143.20	142.60	165.40	135.00
(Lethbridge)		Barley	111.00	111.20	111.00	125.00
To: Bayport, ON (1)	In-store	Wheat	126.61	127.61	140.41	178.61
		Oat	N/A	N/A	N/A	N/A
		Barley	138.39	138.59	138.39	152.39
Montreal, QC (1)	In-store	Wheat	131.03	132.03	144.83	183.03
		Oat	N/A	N/A	N/A	N/A
		Barley	143.31	143.51	143.31	157.31
Moncton, NB	Truck via Halifax	Wheat	153.25	154.25	167.05	205.25
		Oat	N/A	N/A	N/A	N/A
		Barley	167.50	167.70	167.50	181.50
Truro, NS	Truck via Halifax	Wheat	147.22	148.22	161.02	199.22
		Oat	N/A	N/A	N/A	N/A
		Barley	165.00	165.20	165.00	179.00
Halifax, NS (1)	In-store	Wheat	138.28	139.28	152.08	190.28
		Oat	N/A	N/A	N/A	N/A
		Barley	151.30	151.50	151.30	165.30
Stephenville, NL	Track / Truck via Sydney	Wheat	201.63	202.63	215.43	253.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 18-Oct-04	Last week 4-Oct-04	Month ago 20-Sep-04	Year ago 20-Oct-03
Corn						
From: US Lake Port	On Board Vessel		103.01	100.81	113.13	110.76
To: Montreal, QC (1)	In-store		122.05	119.85	132.17	129.80
From: Chicago (Mi)	Track		105.47	105.78	108.11	110.76
To: Montreal, QC	Track		134.33	134.64	136.97	139.62
From: Chatham, ON	Track		116.27	128.02	137.92	133.46
To: Montreal, QC	Track		140.14	151.89	161.79	157.26

Soymeal 48% Protein						
From: Hamilton, ON			237.10	237.44	265.54	312.50
To: Montreal, QC	Track		261.43	261.77	289.87	336.83
Moncton, NB	Track		280.18	280.52	308.62	355.58
Truro, NS	Track		283.40	283.74	311.84	358.80
Stephenville, NL	Track / Truck via Sydney		332.03	332.37	360.47	407.43

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

October 18, 2004

SEEKING PRICE OF RUMK FEED INGREDIENTS AT SELECTED POINTS

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS																		
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	October 18, 2004	FOB	130.00	N/A	125.00	141.00		255.50	152.00	105.00		875.00	520.00					415.00
BC	October 12, 2004		130.00	N/A	125.00	155.00		256.50	150.00	105.00			520.00					425.00
(4) (7)	October 18, 2004	FOB	110.00	N/A	100.00	150.00		240.00			125.00	975.00	555.00					390.00
Calgary	October 12, 2004		110.00	N/A	100.00	164.00		246.00					555.00					400.00
AB	October 18, 2004	FOB	130.00	127.50	107.50	135.00		241.00	N/A		125.00	975.00	555.00			131.67		430.00
Saskatoon	October 12, 2004		130.00	130.00	106.50	142.00		247.00	N/A		150.00	N/A	555.00			133.67		440.00
(4)	October 18, 2004	FOB	125.00	140.00	108.50	128.00		223.50	N/A		290.00	1025.00	565.00					420.00
Winnipeg	October 12, 2004		130.00	140.00	108.50	138.00		229.00	N/A		290.00	1025.00	565.00					420.00
(4) (9)	October 18, 2004		103.75	N/A	111.85													
MB	October 12, 2004	In-Store	130.00	N/A	107.75													
Thunder Bay	October 18, 2004		103.75	N/A	107.75													
(8)	October 12, 2004					103.01												
Lake Ports	October 18, 2004	On Board				100.81												
USA	October 12, 2004	Vessel	139.00		150.00													
(3)	October 18, 2004	In-Store	180.00	235.00	150.00													
Bay Ports	October 12, 2004					116.27												
ON	October 18, 2004	Track				128.02												
Chatham	October 12, 2004																	
ON	October 18, 2004	N/A									190.00	N/A	500.00	425.00	114.00		258.00	440.00
(5)	October 12, 2004										229.00	N/A	510.00	425.00	114.00		258.00	450.00
Toronto	October 18, 2004	N/A						237.10	#N/A									
Hamilton	October 12, 2004							237.44	#N/A									
ON	October 18, 2004	FOB				120.50												
Eastern	October 12, 2004					131.15												
ON	October 18, 2004																	
London	October 12, 2004	FOB																
ON	October 18, 2004	FOB								73.00								
Port Colborne	October 12, 2004									79.00								
ON	October 18, 2004	FOB																
Cardinal	October 12, 2004																	
ON	October 18, 2004	FOB																
Montreal	October 12, 2004		142.00	150.00	145.00	136.00		248.00	182.50	96.67	190.00	850.00	413.00	425.00	114.00		270.00	400.00
(5)	October 18, 2004	FOB	170.00	150.00	150.00	149.00		247.84	189.00	100.67	225.00	850.00	435.00	425.00	114.00		270.00	430.00
QC	October 12, 2004		144.10		151.70	146.04												
Trois-Rivières	October 18, 2004	In-Store	153.80		172.10	192.03												
QC	October 12, 2004		153.80		172.10	192.03												
St. Jean QC (2)	October 18, 2004	FOB	155.66	135.42	144.08	131.24		244.33										
St. Hyacinthe QC	October 12, 2004		175.76	134.92	150.78	149.14		252.21										
Quebec	October 18, 2004	In-Store	141.07	N/A	162.24	132.92		242.80										
QC	October 12, 2004		166.83	N/A	179.12	148.99		260.29										
Truro	October 18, 2004	Track	164.11		177.96	175.86		286.35	194.04		242.05		515.00				400.00	
NS	October 12, 2004		166.77		172.89	181.30		302.30	200.88		281.05		525.00				430.00	
Truro	October 18, 2004	Water	N/A	N/A	N/A	N/A												
NS	October 12, 2004	& Truck	N/A	N/A	N/A	N/A												
Halifax	October 18, 2004	In-Store	N/A	N/A	N/A	#N/A		#N/A			297.50		N/A					
NS	October 12, 2004		N/A	N/A	N/A	#N/A		300.50			297.50		N/A					
(6)																		

NS	(6)	October 12, 2004	N/A	N/A	N/A	N/A	US\$1.00=CANS1.2519, closing date October 15, 2004
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Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
N/A = not available
E-mail: ken.watson@agr.gc.ca Fax: (506) 224-2242

N/A = not available

Canadian dollars per metric tonne based on survey respondents.

All prices in Canadian dollars per metric tonne based on survey respondents.
Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn.
Grain grades (unless otherwise specified) are: Western of Eastern Feed Wheat, 25% Protein; Fish Meal, white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal, White 60 % Protein. Fish Meal, Yellow 55 % Protein.

B. CASH PRICES AND REPLACEMENT VALUES

October 4, 2004

PRAIRIE GRAINS

Selected Points	Price Basis		This week 4-Oct-04	Last week 20-Sep-04	Month ago 23-Aug-04	Year ago 6-Oct-03
From: Thunder Bay(WCE) (2)	In-Store	Wheat	104.00	116.80	136.80	150.50
(CBOT)		Oat	142.60	165.40	141.75	147.25
(Lethbridge)		Barley	111.20	111.00	105.00	127.50
To: Bayport, ON (1)	In-store	Wheat	127.61	140.41	160.41	174.11
		Oat	N/A	N/A	N/A	N/A
		Barley	138.59	138.39	132.39	154.89
Montreal, QC (1)	In-store	Wheat	132.03	144.83	164.83	178.53
		Oat	N/A	N/A	N/A	N/A
		Barley	143.51	143.31	137.31	159.81
Moncton, NB	Truck via Halifax	Wheat	154.25	167.05	187.05	200.75
		Oat	N/A	N/A	N/A	N/A
		Barley	167.70	167.50	161.50	184.00
Truro, NS	Truck via Halifax	Wheat	148.22	161.02	181.02	194.72
		Oat	N/A	N/A	N/A	N/A
		Barley	165.20	165.00	159.00	181.50
Halifax, NS (1)	In-store	Wheat	139.28	152.08	172.08	185.78
		Oat	N/A	N/A	N/A	N/A
		Barley	151.50	151.30	145.30	167.80
Stephenville, NL	Track / Truck via Sydney	Wheat	202.63	215.43	235.43	249.13
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 4-Oct-04	Last week 20-Sep-04	Month ago 23-Aug-04	Year ago 6-Oct-03
Corn						
From: US Lake Port	On Board Vessel		100.81	113.13	127.88	117.80
To: Montreal, QC (1)	In-store		119.85	132.17	146.92	136.84
From: Chicago (Mi)	Track		105.78	108.11	112.67	117.80
To: Montreal, QC	Track		134.64	136.97	141.53	146.66
From: Chatham, ON	Track		128.02	137.92	143.70	142.61
To: Montreal, QC	Track		151.89	161.79	167.57	166.41

Soymeal 48% Protein

From: Hamilton, ON			237.44	265.54	303.46	288.70
To: Montreal, QC	Track		261.77	289.87	327.79	313.03
Moncton, NB	Track		280.52	308.62	346.54	331.78
Truro, NS	Track		283.74	311.84	349.76	335.00
Stephenville, NL	Track / Truck via Sydney		332.37	360.47	398.39	383.63

1. Prices include ONE month of storage and interest charges
n/a = not available
2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

October 4, 2004

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver (4) (7)	October 4, 2004	FOB	130.00	N/A	125.00	155.00		256.50	150.00	105.00		875.00	520.00					425.00
BC	September 27, 2004		130.00	N/A	125.00	165.00		268.50	155.00	105.00		875.00	520.00					425.00
Calgary	October 4, 2004	FOB	110.00	N/A	100.00	164.00		246.00				975.00	555.00					400.00
AB	September 27, 2004		110.00	N/A	100.00	175.00		268.00				975.00	555.00					400.00
Saskatoon	October 4, 2004	FOB	135.00	130.00	106.50	142.00		247.00	N/A			150.00	N/A			133.67		400.00
SK	September 27, 2004		145.00	135.00	110.50	155.00		270.00	N/A			150.00	555.00			140.00		440.00
Winnipeg	October 4, 2004	FOB	130.00	140.00	103.50	138.00		229.00	N/A			290.00	1025.00					420.00
MB	September 27, 2004		135.00	140.00	113.50	142.00		252.00	N/A			290.00	1025.00					440.00
Thunder Bay	October 4, 2004	In-Store	103.75	N/A	107.75													
ON	September 27, 2004		112.75	N/A	107.30													
Lake Ports	October 4, 2004	On Board				100.81												
USA	September 27, 2004	Vessel				113.13												
Bay Ports	October 4, 2004	In-Store	180.00	235.00	150.00													
ON	September 27, 2004		180.00	230.00	145.00													
Chatham	October 4, 2004	Track				128.02												
ON	September 27, 2004					137.92												
Toronto	October 4, 2004	N/A					FOB											
ON	September 27, 2004																	
Hamilton	October 4, 2004	N/A						237.44	#N/A									
ON	September 27, 2004							265.54	#N/A									
Eastern	October 4, 2004	FOB				131.15												
ON	September 27, 2004					131.50												
London	October 4, 2004	FOB																
ON	September 27, 2004																	
Port Colborne	October 4, 2004	FOB																
ON	September 27, 2004																	
Cardinal	October 4, 2004	FOB																
ON	September 27, 2004																	
Montreal	October 4, 2004		170.00	150.00	150.00	149.00		247.84	189.00	100.67	225.00	850.00	435.00				270.00	430.00
QC	September 27, 2004		200.00	150.00	180.00	151.00	FOB	266.54	199.10	100.00	245.00	850.00	446.00				270.00	440.00
Trois-Rivières	October 4, 2004	In-Store	153.80		172.10	192.03												
QC	September 27, 2004		160.80		171.20	192.05												
St. Jean QC	October 4, 2004	FOB	175.76	134.92	150.78	149.14		252.21										
St. Hyacinthe QC	September 27, 2004		176.10	132.82	154.30	151.61		261.54										
Quebec	October 4, 2004	In-Store	166.83	N/A	179.12	148.99		260.29										
QC	September 27, 2004		176.83	N/A	187.77	141.98		276.66										
Truro	October 4, 2004	Track	166.77		172.89	181.30		302.30	200.88		281.05		525.00					430.00
NS	September 27, 2004		169.92		173.79	189.82	FOB	320.87	209.04		297.00		525.00					440.00
Truro	October 4, 2004	Water	N/A	N/A	N/A	N/A												
NS	September 27, 2004	& Truck	N/A	N/A	N/A	N/A												
Halifax	October 4, 2004	In-Store	N/A	N/A	N/A	#N/A		300.50		297.50		1,000.00	N/A					
NS	September 27, 2004		N/A	N/A	N/A	#N/A		334.00		297.50		1,000.00	N/A					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: Corinne Bruneau Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: bruneauc@agr.gc.ca
 US\$1.00=CANS1.2630, closing date October 1, 2004
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
 Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW



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PLANT BREEDING IN WESTERN CANADA

Agriculture, and plant breeding specifically, is being impacted by numerous forces for change. From a supply side, the advent of innovative technology and more sophisticated scientific knowledge are opening up new possibilities for plant breeders and increasing the speed at which new varieties enter the marketplace. As well, profitability, provided through Plant Breeders' Rights, invites greater participation from the private sector. On the demand side, customer requirements for products that meet end-user needs for quality, safety and other attributes are becoming more specific. The customer is increasingly demanding a system that can deliver to smaller, targeted, niche markets at the same time as it delivers high-quality bulk commodities.

These changes have brought with them many issues that the industry must address, such as the need for variety registration reform, an updated seed and grain quality assurance system, changing roles for industry and government, regulatory flexibility, and intellectual property protection. This issue of the *Bi-weekly Bulletin* highlights some of the ongoing changes affecting plant breeding.

Plant breeding, simply defined, is the development of plant lines better suited for human purposes. It is the discovery or creation of genetic variation in a plant species and the selection from within that variation of plants with desirable traits that can be inherited in a stable fashion. Plant breeders, along with pedigreed seed producers and the seed trade form the seed sector.

Plant breeders can have many educational backgrounds; however most plant breeders have either a PhD or a M.Sc. in plant breeding, plus experience. In Canada, the Canadian Seed Growers' Association provides official recognition for all plant breeders, associate plant breeders and variety maintainers.

HISTORY OF PLANT BREEDING

For several thousand years, farmers have been altering the genetic makeup of the crops they grow. Despite limited understanding of genetics or biology, these early plant breeders were highly successful at producing plants that matured more quickly and that produced larger seeds or sweeter fruit.

Modern plant breeding no longer resembles those early attempts at plant breeding, which relied heavily on outcrossing and chance mutation. The modern plant breeder is an accomplished biologist with a broad understanding of: Quantitative, Population and Molecular Genetics; Plant Physiology and Biochemistry; Plant Pathology and Entomology; Statistics and Computer Science; and Botany and Agronomy. The first scientific breakthrough was Mendel's 1856 work in which he described the laws of heredity. Other major accomplishments were the inbreeding-hybridization work in corn in the early 20th century and agricultural biotechnology in the late 20th century.

Modern plant breeding is a three-step process. First of all, traits suitable for utilization by humankind are either identified or created in the plant species. This work is referred to as germplasm research, as germplasm is the collection of genetic diversity available to the plant breeder (from all sources, including crop plants, primitive cultivars and wild and weedy relatives). In the second step, plant breeders use either traditional

breeding techniques or biotechnology to combine the identified traits into the new cultivar, also referred to as variety. Finally, if the crop kind is subject to registration, the new variety is studied to assess its performance and registration by the Canadian Food Inspection Agency (CFIA) is sought.

PLANT BREEDING INSTITUTIONS

Plant breeding activities are carried out in public institutions, including government departments and universities and, for many years, by private companies. Until recently, almost all cereal and oilseed plant breeding research in Canada took place in public institutions.

Public research is made possible through funding partners. Historically, most research funding was made available through federal and provincial governments. However, more recently, increased funding from private sources has been encouraged and obtained. Typical funding sources include producer check-off funds, where a portion of the sale of a grain or oilseed is held back to fund research,

or from other players in the value chain, including grain companies, seed companies, processors, and producer organizations.

INTELLECTUAL PROPERTY RIGHTS

The *Canadian Plant Breeders' Rights Act* (PBR Act) came into force on August 1, 1990. The *PBR Act* is administered by the Plant Breeders' Rights Office, which is part of the CFIA. The *PBR Act* allows the developers of new varieties to recover their investment in research and development by giving them control over the multiplication and

sale of the reproductive material of a new variety. The rights also include the ability to charge a royalty. In order to receive a grant of rights, varieties must be new, distinct, uniform and stable. Two notable exceptions to a holders' rights are that protected varieties may be used for breeding and developing new plant varieties, and that farmers may save and use their own seed of protected varieties without infringing on the holders' rights. This second exception is referred to as Farmers' Privilege.

Intellectual property rights and the ability to get adequate financial return

for an investment have enticed the private sector into plant breeding efforts. In Canada, the private sector's investment in research and development for plant breeding purposes nearly tripled between 1987 and 2001, from \$33.2 million (M) in 1987 to \$92.5M in 2001. The public sector has benefited from intellectual property rights, as universities and government departments receive royalties for their efforts as well.

With private firm involvement, the rate at which new varieties are introduced has increased substantially. In the 1970s and

RESEARCH HIGHLIGHTS : CEREAL GRAINS

Cereal grain breeding, with the exception of corn breeding, remains primarily in the domain of public breeding, although private breeding programs do exist.

Wheat breeders seek to produce varieties that offer excellent milling and processing traits, provide improved production traits, and contribute to safe and nutritious food. Specific breeding targets might include winter wheat with improved quality characteristics for the noodle or flatbread market or hard white wheat with improved Fusarium resistance. Canadian wheat breeders have been world leaders in developing higher protein wheat varieties, without forgoing yield potential. A major breeding goal over the past several years has been resistance to Fusarium Head Blight.

The Western Grains Research Foundation (WGRF) administers the wheat check-off fund, for which deductions are made from Canadian Wheat Board final payments to producers in western Canada. Check-off funds are allocated to wheat breeding programs across western Canada. These programs include, but are not limited to: AAFC Research Centres in Swift Current, Winnipeg and Lethbridge, Alberta; the University of Saskatchewan Crop Development Centre; the University of Manitoba and the University of Alberta; and Alberta Agriculture, Food and Rural Development in Lacombe.

Significant new players, including private interests, have emerged on the wheat breeding scene. Private companies such as Agricores United, AgriPro Wheat and World Wide Wheat are now running breeding programs specifically aimed at western Canada.

For **barley**, Canada invests in research activities for both malting and feed varieties. New varieties offer enhanced stress tolerance and pest resistance, coupled with higher yield potential for stronger, more dependable harvests. Malt barley programs have incorporated improved disease resistance and agronomic performance, while feed barley programs are developing varieties with traits required by the livestock industry. These traits include heavy kernels and improved nutrient availability.

The WGRF administers the barley check-off fund in Saskatchewan and Manitoba, while the Alberta Barley Commission administers a similar fund in Alberta. The main stakeholders in the barley breeding network include the University of Saskatchewan Crop Development Centre, the AAFC Brandon Research Centre and Alberta Agriculture, Food and Rural Development's Field Crop Development Centre in Lacombe, Alberta.

For **oats**, breeders have developed varieties of milling quality oats and have produced varieties for specific feed and food markets. Currently there is no producer check-off funding in place, but breeding programs do receive funding from processors, such as Quaker Oats, which has been funding research for a long time. In 1996, the Prairie Oat Breeding Consortium was created to bring industry funding together to fund public research. The contributing partners include Quaker Oats, General Mills, Popowich Milling, Can-Oat Milling, Emerson Milling, Quality Assured Seeds, SeCan, Cargill and Pioneer Hybrid Australia.

Plant breeding activities, while limited, also exist for **rye** and **triticale**, while work is done to select **corn** varieties best suited for the Prairie climate.

1980s, one variety of canola was granted rights every second year. In 2004, 24 new canola varieties were granted rights and all were developed in the private sector. The availability of numerous varieties suitable for cultivation in Canada has provided numerous opportunities and challenges to the marketplace.

PLANT BREEDING IN WESTERN CANADA

In western Canada, the main plant breeding institutions include: Agriculture and Agri-Food Canada (AAFC) with seven research centres in western Canada; provincial government agriculture departments, especially Alberta Agriculture, Food and Rural Development; Universities with agricultural colleges, especially the University of Saskatchewan's Crop Development Centre; and private companies such as Monsanto, Pioneer Hi-Bred, Dow AgroSciences, and Syngenta. For some crops, like canola, grain companies such as Saskatchewan Wheat Pool and Cargill are also active in plant breeding. Typically, work will be done in collaboration with other institutions, and projects receive more than one source of funding.

Most plant breeding institutions specialize in one crop type or group of crop types. For instance, AAFC's Cereal Research Centre is known for its work in wheat and oats research, while AAFC's Saskatoon Research Centre is more involved in oilseed and forage research.

Major funding sources vary by crop. For wheat and barley, producer check-offs on Canadian Wheat Board delivered grains are redistributed to fund research through the Western Grains Research Foundation. An exception is the check-off on barley grown and delivered in Alberta, which is collected and distributed by the Alberta Barley Commission.

Producer check-offs are also used by most commodity groups, including, but not limited to; canola, flaxseed, soybeans, pulse crops, sunflowers, mustard and buckwheat.

Other major research funding partners in Canada include: the grain companies, especially Agricore United and Saskatchewan Wheat Pool; processors, especially Quaker Oats and Anheuser-Busch; other players in the seed industry, such as

RESEARCH HIGHLIGHTS : OILSEEDS

There has been a major move from public to private plant breeding for all oilseed crops. Private researchers now register most canola and soybean varieties, and conduct significant work in the areas of flaxseed and linola. Important public sector canola breeding programs remain at the AAFC Saskatoon Research Centre and the Universities of Manitoba and Alberta, while flaxseed is bred at the AAFC Cereal Research Centre in Morden, Manitoba and the University of Saskatchewan.

Canola is a Canadian plant breeding success story. Developed by Canadian breeders in the 1970s, this low-erucic and low-glucosinolate relative of rapeseed has become Canada's most produced oilseed for domestic and export markets.

Private and public plant breeders strive to improve upon canola's low saturated fatty acid profile by breeding specialty canola varieties designed to meet ever-changing nutritional and industrial needs. Research continues into breeding canola adapted to a wide range of climatic conditions, with high vigor and strong pest and disease resistance for consistent, excellent yields. New canola varieties must meet minimum criteria for yield, oil content, protein content, fatty acid profile, glucosinolate content and disease-resistance. In response to concerns about trans fat in partially hydrogenated vegetable oils, canola breeders continue work to develop canola lines that produce oils with a high oleic and low linolenic acid content.

For **flaxseed**, breeders seek continual improvement in the iodine value, oil and protein content. For **soybeans**, western Canadian farmers are benefiting from early-season varieties.

SeCan; and the Canadian Wheat Board.

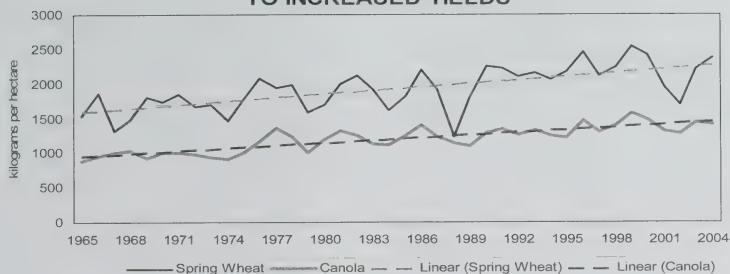
PLANT BREEDING PROCESS

The five key stages of variety development, which are similar to those outlined by Meristem Information Resources Ltd. in its publication *Land & Science*, are: 1) Develop a Breeding Strategy; 2) Gather key traits; 3) Test top prospects in real field situations at numerous locations across the Prairies; and where applicable, depending on the crop type, 4) Receive a recommendation for registration; and 5) Apply for Variety Registration with the CFIA.

Developing a breeding strategy means setting goals. Typical goals include increasing agronomic flexibility and productivity, capturing niche markets and/or offering end-users more options. Included in this list might be features such as improved yields and yield stability, maturity, hardiness, disease and pest resistance and specific product attributes. At this stage plant breeding institutions gather broad input from a variety of stakeholders in order to develop breeding strategies based on a wide range of production and market factors. Whether the goal is to find a niche and fill it, improve the performance over existing varieties, or develop an innovative product, the strategy ultimately involves targeting a complex mix of traits.

Plant breeders rely on formal and informal networks of "advisors" to increase the likelihood of developing a product the market wants. Stakeholders contacted are numerous and include producers, processors, and other industry players, such as grain handling companies, exporters and retailers. Agricultural associations, marketing boards, provincial government extension workers, seed dealers, private crop consultants, other researchers in plant breeding and other fields, health and nutrition professionals, and consumers might be consulted as well. The formation and use of advisory committees,

PLANT BREEDING CONTRIBUTES TO INCREASED YIELDS



Source: Statistics Canada

expert committees and provincial committees have been essential in communicating market signals across the value chain, to and from the research community.

While plant breeders have research targets specific to their organization, they must be aware of the targets of potential funding partners as well.

Gathering key traits is the process of searching for the required traits and creating them if they don't exist. Breeders begin by gathering a large number of crop lines, known as the germplasm pool, which may contain the targeted traits. Lines are screened for these traits, and the desirable ones are bred with adapted lines. Further selection over several generations allows the breeder to develop a single line or hybrid that has all of the targeted traits fixed in its genetics. The process is long, with many years devoted to varieties that may never make it through the

registration process.

There are many scientists devoted to germplasm, or trait, research, and their work directly feeds into the work of the plant breeder. Germplasm researchers aim to identify germplasm with useful characteristics such as pest resistance and improved quality, determine the genetic control of these characteristics and catalogue these traits in a manner which is useful to plant breeders. For example, the AAFC Semiarid Prairie Agriculture Research Centre at Swift Current, Saskatchewan, has located two new sources of stem solidness, which could provide resistance to the sawfly pest. AAFC researchers are working to incorporate these genes, which have been identified in an unrelated plant, into adapted wheat varieties. This way sawfly resistance can be made available to wheat breeders, should the current source become vulnerable to the pest. The

Canadian seed gene bank, Plant Gene Resources of Canada, located in Saskatoon, Saskatchewan, has a comprehensive collection of cereal germplasm from around the world.

Biotechnology and advances in genetic engineering have provided researchers with more tools to do their job and have resulted in accelerated progress towards improving production and processing traits. Today scientists specifically devoted to the task of gene mapping have greatly improved the knowledge of how and why plants exhibit certain traits. In their work to learn what makes one plant variety more capable of fighting off disease than another, molecular plant geneticists are identifying and mapping the genes that allow plants to resist fungi, viruses, nematodes and bacteria. Once a resistance gene is isolated, researchers go one step farther to identify the proteins produced by the identified genes. This work is referred to as genomic research. Canada, through Genome Canada, coordinates and collaborates with an international network of countries to pursue this research which is so valuable for today's plant breeders.

Prairie-wide testing evaluates the crop line under actual growing conditions. Canada is a vast country, and even within western Canada there are many different climatic zones and soil types. These Prairie-wide tests, known as "co-op" trials, are a cooperative effort among breeding institutions.

RESEARCH HIGHLIGHTS: PULSE AND SPECIAL CROPS

Public and private plant breeding programs aim to produce varieties adapted to Canadian climatic and soil conditions. Canada's pulse seed production includes dry peas, lentils, dry beans and chickpeas, while its main special crops are mustard seed, canary seed, sunflowers and buckwheat. Several producer groups in western Canada have implemented a producer check-off fund to offset the costs of research. These groups include: the National Sunflower Association of Canada; Pulse Growers Associations in Manitoba, Saskatchewan and Alberta; the Saskatchewan Mustard Development Commission; and the Manitoba Buckwheat Growers Association.

FORAGE CROPS

Canada is a world leader in the breeding of forages for a wide variety of markets and climates. There are two public breeding programs in western Canada, located at AAFC Saskatoon and AAFC Lethbridge. Varieties of some species, notably alfalfa, are developed by programs in eastern Canada and the United States, and are widely used in western Canada. Breeding programs seek to improve on existing varieties for pasture, hay, soil conservation, and turf purposes.

The co-operative trials are administered by Recommending Committees, including the Prairie Registration Recommending Committee for Grain (PRRCG), or the Western Canada Canola/Rapeseed Recommending Committee (WCC/RRC) in the case of canola.

Co-op tests involve three years of field evaluation (two years, with an option of a third for canola) at many locations, extensive disease resistance screening at a variety of AAFC research stations, and may include quality testing at the Canada Grain Commission's Grain Research Laboratory. Varieties that pass this rigorous testing can be proposed by the plant breeder for a recommendation for registration at a recognized Recommending Committee meeting. For cereals, oilseeds and special crops, the committee in western Canada is the PRRCG or the WCC/RRC, which both hold their annual meetings in February.

Evaluation and recommendation for registration is an essential step in the registration process, for most crop kinds. Two key decision making bodies for registration of new varieties of grains and oilseeds in western Canada are the PRRCG and the WCC/RRC. Both committees evaluate test data, including agronomic, disease and quality parameters, presented by plant breeders and other researchers and make recommendations to the CFIA either for or against registration of prospective cultivars.

Varietal Registration, for most crop kinds, is the formal process of obtaining registration of a variety from the CFIA. Canada's variety registration system has been in place since 1923 when the original 1905 Seeds Act was amended to require varieties to be licensed by the Minister of Agriculture, prior to sale in Canada. During the 80 years of variety registration, over 5,500 varieties have been registered, with over 70% of them in the past 30 years.

There are some crops which do not require CFIA registration. However, in order to facilitate documentation and certification, these crops are listed. Examples of listed crop types include grain corn, soybeans for food use, some turf grasses and heritage species.

The *Seeds Act and Regulations* is the federal legislation governing the testing, inspection, quality and sale of seeds in Canada. Part III of the *Seeds Regulations* (Sections 63 to 77) concerns the variety registration system.

In Canada, varieties are currently registered on the basis of merit. The variety registration system has three mandates: to ensure that agronomically inferior or unadapted varieties are excluded from the Canadian marketplace; to ensure that new varieties meet current requirements for resistance to economically important diseases; and to ensure high quality products for processors and for consumers. Proposed varieties undergo merit testing for agronomic, disease and quality traits.

For a variety to be registered, a plant breeder or plant breeding institution must submit an application to the Variety Registration Office of the CFIA. A complete application package contains information necessary to verify the uniqueness of the variety, its merit and the necessary information for crop inspection and varietal purity testing. Some of the information requirements are as follows: 1) a proposed variety name; 2) the scientific and/or common name of the species; 3) a description of pedigree, origin, history and methods of development of the variety; 4) a copy of the Recommending Committee experimental trial results; 5) a valid recommendation for registration from a recognized recommending committee, 6) a representative reference sample, and, 7) a description of the variety.

When a variety is registered, the CFIA Registrar issues a certificate of registration to the applicant. Unless

otherwise specified, the registration is valid for all provinces and territories of Canada, until such time as the registration is cancelled or suspended, usually at the request of the breeder.

PLANT BREEDING IN CANADA IS IN THE MIDST OF TRANSFORMATION

For decades, Canada has been able to provide consumers, both at home and abroad, with high quality product that meets or exceeds customer expectations. Until recently, consumers demanded a high quality product in bulk volumes, and Canada's institutions were able to deliver it. Now, in addition to bulk commodities, Canada's customers are demanding highly specified products, often referred to as niche commodities.

Canada's institutions in the seed industry were developed to ensure quality and safety of bulk commodities. In order to prepare for tomorrow, many of the pillars of Canada's agricultural industry have come under scrutiny. Everything from variety registration to the current grading system to kernel visual distinguishability is under review. The Seed Sector Review, restructuring of the PRRCG, and the Variety Registration Review will all greatly impact the plant breeders' objectives and are discussed below.

Seed Sector Review

Public and private plant breeders form an integral part of the seed sector, which also includes pedigreed seed producers, commercial growers and the seed trade. Together, the seed sector aims to: 1) improve the agronomic performance of field and horticulture crops; 2) improve resistance to pests and diseases which are economically significant or which pose threats to animal and/or human health; 3) respond to traditional and new requirements of primary and end-use consumers in domestic and export markets, and; 4) use the potential of new science to satisfy consumer demands for health, function and environmental stewardship.

In May 2004, the Seed Sector Advisory Committee, featuring the Canadian Seed Growers Association, the Canadian Seed Trade Association, the Grain Growers of Canada and the Canadian Seed Institute, published a report outlining a strategic outlook for the future of Canada's seed industry. The report provides an overview of the perceived strengths, weaknesses, opportunities and threats facing the seed sector and provides recommendations for change in the sector. This industry-led, industry-wide assessment noted that industry practices, technology, globalization, consumer preferences and new market opportunities have contributed to a dynamic and challenging environment for the seed sector.

The Advisory Committee stated that domestic and international competitiveness will require the achievement of four broad results: regulatory flexibility and timeliness; a supportive environment for science and innovation; profitability of the sector; and consumer acceptance and confidence.

Specific recommendations from the report include: implementing a permanent, industry-led, consultative body to provide advice on policy, a mechanism for industry consultation and a forum for industry/government dialogue; restructuring the variety registration system to create a more flexible system of registration information requirements based on crop kind; and ensuring that Canada continues to provide a risk-based environment that supports and rewards innovation.

Prairie Registration Recommending Committee for Grain

The PRRCG is made up of four sub-committees: 1) wheat, rye and triticale; 2) barley and oats; 3) oilseeds, excluding canola; and 4) special crops. Each of these sub-

committees has three expert evaluation teams to objectively examine test data on agronomic performance, disease response susceptibility and processing quality.

In February 2004, the PRRGC voted in favour of dissolving the collective committee and shifting full powers to its four crop-specific subcommittees, allowing them to become independent recommending committees, effective April 1, 2005. The resolution is largely the result of the desire for greater control among the subcommittees to handle appeal processes and other governance issues. As well, the restructuring will allow the crop type-specific committees to deal directly with CFIA's Variety Registration Office (VRO). This resolution will be forwarded to the VRO in order for individual committees to be recognized.

Variety Registration

The CFIA has been engaged in consultations since 1998 to prepare for major changes to the existing Variety Registration system. The next step in the review process was the Seed Sector Review, as described above. The outcome of the Seed Sector Review is being evaluated in order to determine what areas require further consultation before proceeding with developing a new regulatory proposal.

While the CFIA has yet to develop a final proposal, it has identified a number of key areas of consensus. These include the need to: maintain merit and/or performance testing requirements, where required; maintain a capability to deal with consumer confidence, especially in health and safety issues; and, increase the flexibility and responsiveness of the current regulatory amendment process.

Although still under discussion, there is a general trend to move away from the merit principle as a key pillar of

variety registration. It is likely that the CFIA will retain mandatory merit requirements for some agricultural crops in order to provide assurance to producers, processors and consumers. For other crop types, some form of varietal recognition will be retained in order to facilitate seed certification, which is the foundation for the quality control that supports both domestic and export sales.

*For further information on the ongoing reform, please visit The Seed Sector Review at www.seedsectorreview.com
The Variety Registration Review at www.inspection.gc.ca*

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Canadian Seed Growers Association, Canadian Seed Trade Association, Western Grains Research Foundation, Canadian Food Inspection Agency (AAFC), Communications and Consultations Team (AAFC), Farm Financial Programs Branch (AAFC), Research Branch (AAFC)

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS										October 4, 2004									
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	October 4, 2004	FOB		130.00	N/A	125.00	155.00		256.50	150.00	105.00		875.00	520.00					
BC (4) (7)	September 27, 2004			130.00	N/A	125.00	165.00		268.50	155.00	105.00		875.00	520.00					
Calgary	October 4, 2004	FOB		110.00	N/A	100.00	164.00		246.00			125.00	975.00	555.00					
AB (4)	September 27, 2004			110.00	N/A	100.00	175.00		268.00			125.00	975.00	555.00					
Saskatoon	October 4, 2004	FOB		135.00	130.00	106.50	142.00		247.00	N/A		150.00	N/A	555.00			133.67		
SK (4)	September 27, 2004			145.00	135.00	110.50	155.00		270.00	N/A		150.00	N/A	555.00			140.00		
Winnipeg	October 4, 2004	FOB		130.00	140.00	108.50	138.00		229.00	N/A		290.00	1025.00	565.00					
MB (4) (9)	September 27, 2004			135.00	140.00	113.50	142.00		252.00	N/A		290.00	1025.00	565.00					
Thunder Bay	October 4, 2004	In-Store		103.75	N/A	107.75													
ON (8)	September 27, 2004			112.75	N/A	107.30													
Lake Ports	October 4, 2004	On Board					100.81												
USA (3)	September 27, 2004	Vessel					113.13												
Bay Ports	October 4, 2004	In-Store		180.00	235.00	150.00													
ON	September 27, 2004			180.00	230.00	145.00													
Chatham	October 4, 2004	Track					128.02												
ON	September 27, 2004						137.92												
Toronto	October 4, 2004	N/A						FOB											
ON (5)	September 27, 2004											229.00	N/A	510.00	425.00	114.00			
Hamilton	October 4, 2004	N/A							237.44	#N/A		245.00	N/A	510.00	425.00	114.00			
ON	September 27, 2004								265.54	#N/A									
Eastern	October 4, 2004	FOB					131.15												
ON	September 27, 2004						131.50												
London	October 4, 2004	FOB																	
ON	September 27, 2004																		
Port Colborne	October 4, 2004	FOB																	
ON	September 27, 2004																		
Cardinal	October 4, 2004	FOB																	
ON	September 27, 2004																		
Montreal	October 4, 2004			170.00	150.00	150.00	149.00		247.84	189.00	100.67	225.00	850.00	435.00	425.00	114.00			
QC (5)	September 27, 2004			200.00	150.00	180.00	151.00	FOB	266.54	199.10	100.00	245.00	850.00	446.00	425.00	114.00			
Trois-Rivières	October 4, 2004	In-Store		153.80		172.10	192.03												
QC	September 27, 2004			160.80		171.20	192.05												
St. Jean QC (2)	October 4, 2004	FOB		175.76	134.92	150.78	149.14		252.21										
St. Hyacinthe QC	September 27, 2004			176.10	132.82	154.30	151.61		261.54										
Quebec	October 4, 2004	In-Store		166.83	N/A	179.12	148.99		260.29										
QC	September 27, 2004			176.83	N/A	187.77	141.98		276.66										
Truro	October 4, 2004	Track		166.77		172.89	181.30		302.30	200.88		281.05		525.00					
NS	September 27, 2004			169.92		173.79	189.82	FOB	320.87	209.04		297.00		525.00					
NS	October 4, 2004	Water		N/A	N/A	N/A	N/A												
Truro	October 4, 2004	Water & Truck		N/A	N/A	N/A	N/A												
NS	September 27, 2004	In-Store		N/A	N/A	N/A	N/A												
Halifax	October 4, 2004			N/A	N/A	N/A	N/A												
NS (6)	September 27, 2004			N/A	N/A	N/A	N/A												
									300.50		297.50		1,000.00	N/A					
									334.00		297.50		1,000.00	N/A					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close US\$1.00=CAN\$1.2630, closing date October 1, 2004
Contact: Corinne Bruneau Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: brunec@agr.gc.ca
N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.
Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

October 4, 2004

PRAIRIE GRAINS

Selected Points	Price Basis		This week 4-Oct-04	Last week 20-Sep-04	Month ago 23-Aug-04	Year ago 6-Oct-03
From: Thunder Bay(WCE) (2)	In-Store	Wheat	104.00	116.80	136.80	150.50
(CBOT)		Oat	142.60	165.40	141.75	147.25
(Lethbridge)		Barley	111.20	111.00	105.00	127.50
To: Bayport, ON (1)	In-store	Wheat	127.61	140.41	160.41	174.11
		Oat	N/A	N/A	N/A	N/A
		Barley	138.59	138.39	132.39	154.89
Montreal, QC (1)	In-store	Wheat	132.03	144.83	164.83	178.53
		Oat	N/A	N/A	N/A	N/A
		Barley	143.51	143.31	137.31	159.81
Moncton, NB	Truck via Halifax	Wheat	154.25	167.05	187.05	200.75
		Oat	N/A	N/A	N/A	N/A
		Barley	167.70	167.50	161.50	184.00
Truro, NS	Truck via Halifax	Wheat	148.22	161.02	181.02	194.72
		Oat	N/A	N/A	N/A	N/A
		Barley	165.20	165.00	159.00	181.50
Halifax, NS (1)	In-store	Wheat	139.28	152.08	172.08	185.78
		Oat	N/A	N/A	N/A	N/A
		Barley	151.50	151.30	145.30	167.80
Stephenville, NL	Track / Truck via Sydney	Wheat	202.63	215.43	235.43	249.13
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 4-Oct-04	Last week 20-Sep-04	Month ago 23-Aug-04	Year ago 6-Oct-03
Corn						
From: US Lake Port	On Board Vessel		100.81	113.13	127.88	117.80
To: Montreal, QC (1)	In-store		119.85	132.17	146.92	136.84
From: Chicago (Mi)	Track		105.78	108.11	112.67	117.80
To: Montreal, QC	Track		134.64	136.97	141.53	146.66
From: Chatham, ON	Track		128.02	137.92	143.70	142.61
To: Montreal, QC	Track		151.89	161.79	167.57	166.41

Soymeal 48% Protein						
From: Hamilton, ON			237.44	265.54	303.46	288.70
To: Montreal, QC	Track		261.77	289.87	327.79	313.03
Moncton, NB	Track		280.52	308.62	346.54	331.78
Truro, NS	Track		283.74	311.84	349.76	335.00
Stephenville, NL	Track / Truck via Sydney		332.37	360.47	398.39	383.63

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada
 Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.
 Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
 Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.
 Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

October 18, 2004

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	October 18, 2004	FOB	130.00	N/A	125.00	141.00		255.50	152.00	105.00		875.00	520.00					415.00
BC (4) (7)	October 12, 2004	FOB	130.00	N/A	125.00	155.00		256.50	150.00	105.00		875.00	520.00					425.00
Calgary	October 18, 2004	FOB	110.00	N/A	100.00	150.00		240.00			125.00	975.00	555.00					390.00
AB (4)	October 12, 2004	FOB	110.00	N/A	100.00	164.00		246.00			125.00	975.00	555.00					400.00
Saskatoon	October 18, 2004	FOB	130.00	127.50	107.50	135.00		241.00	N/A		150.00	N/A	555.00		131.67			430.00
SK (4)	October 12, 2004	FOB	135.00	130.00	106.50	142.00		247.00	N/A		150.00	N/A	555.00		133.67			440.00
Winnipeg	October 18, 2004	FOB	125.00	140.00	108.50	128.00		223.50	N/A		290.00	1025.00	565.00					420.00
MB (4) (9)	October 12, 2004	FOB	130.00	140.00	108.50	138.00		229.00	N/A		290.00	1025.00	565.00					420.00
Thunder Bay	October 18, 2004	In-Store	103.75	N/A	111.85													
ON (8)	October 12, 2004		103.75	N/A	107.75													
Lake Ports	October 18, 2004	On Board				103.01												
USA (3)	October 12, 2004	Vessel				100.81												
Bay Ports	October 18, 2004	In-Store	139.00	235.00	150.00													
ON	October 12, 2004		180.00	235.00	150.00													
Chatham	October 18, 2004	Track																
ON	October 12, 2004					116.27												
Toronto	October 18, 2004	N/A				128.02												
ON (5)	October 12, 2004						FOB											
Hamilton	October 18, 2004	N/A						237.10	#N/A		190.00	N/A	500.00	425.00	114.00		258.00	440.00
ON	October 12, 2004							237.44	#N/A		229.00	N/A	510.00	425.00	114.00		258.00	450.00
Eastern	October 18, 2004	FOB				120.50												
ON	October 12, 2004					131.15												
London	October 18, 2004	FOB																
ON	October 12, 2004																	
Port Colborne	October 18, 2004	FOB																
ON	October 12, 2004																	
Cardinal	October 18, 2004	FOB																
ON	October 12, 2004																	
Montreal	October 18, 2004		142.00	150.00	145.00	136.00		248.00	182.50	96.67	190.00	850.00	413.00	425.00	114.00		270.00	400.00
QC (5)	October 12, 2004		170.00	150.00	150.00	149.00	FOB	247.84	189.00	100.67	225.00	850.00	435.00	425.00	114.00		270.00	430.00
Trois-Rivières	October 18, 2004	In-Store	144.10		151.70	146.04												
QC	October 12, 2004		153.80		172.10	192.03												
St. Jean QC (2)	October 18, 2004	FOB	155.66	135.42	144.08	131.24		244.33										
St. Hyacinthe QC	October 12, 2004		175.76	134.92	150.78	149.14		252.21										
Quebec	October 18, 2004	In-Store	141.07	N/A	162.24	132.92		242.80										
QC	October 12, 2004		166.83	N/A	179.12	148.99		260.29										
Truro	October 18, 2004	Track	164.11		177.96	175.86		286.35	194.04		242.05		515.00					400.00
NS	October 12, 2004		166.77		172.89	181.30	FOB	302.30	200.88		281.05		525.00					430.00
Truro	October 18, 2004	Water		N/A	N/A	N/A												
NS	October 12, 2004			N/A	N/A	N/A												
NS	October 18, 2004	Water & Truck	N/A	N/A	N/A	N/A												
Halifax	October 12, 2004	In-Store	N/A	N/A	N/A	N/A												
NS (6)	October 18, 2004		N/A	N/A	N/A	N/A												
	October 12, 2004							300.50		297.50		1,000.00	N/A					
										297.50		1,000.00	N/A					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: Corinne Bruneau Statistical Clerk. Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: bruneau@agr.gc.ca
 US\$1.00=CAN\$1.2519, closing date October 15, 2004
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
 Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

October 18, 2004

PRAIRIE GRAINS

Selected Points	Price Basis		This week 18-Oct-04	Last week 4-Oct-04	Month ago 20-Sep-04	Year ago 20-Oct-03
From: Thunder Bay(WCE) (2)	In-Store	Wheat	103.00	104.00	116.80	155.00
(CBOT)		Oat	143.20	142.60	165.40	135.00
(Lethbridge)		Barley	111.00	111.20	111.00	125.00
To: Bayport, ON (1)	In-store	Wheat	126.61	127.61	140.41	178.61
		Oat	N/A	N/A	N/A	N/A
		Barley	138.39	138.59	138.39	152.39
Montreal, QC (1)	In-store	Wheat	131.03	132.03	144.83	183.03
		Oat	N/A	N/A	N/A	N/A
		Barley	143.31	143.51	143.31	157.31
Moncton, NB	Truck via Halifax	Wheat	153.25	154.25	167.05	205.25
		Oat	N/A	N/A	N/A	N/A
		Barley	167.50	167.70	167.50	181.50
Truro, NS	Truck via Halifax	Wheat	147.22	148.22	161.02	199.22
		Oat	N/A	N/A	N/A	N/A
		Barley	165.00	165.20	165.00	179.00
Halifax, NS (1)	In-store	Wheat	138.28	139.28	152.08	190.28
		Oat	N/A	N/A	N/A	N/A
		Barley	151.30	151.50	151.30	165.30
Stephenville, NL	Track / Truck via Sydney	Wheat	201.63	202.63	215.43	253.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Selected Points	Price Basis		This week 18-Oct-04	Last week 4-Oct-04	Month ago 20-Sep-04	Year ago 20-Oct-03
Corn						
From: US Lake Port	On Board Vessel		103.01	100.81	113.13	110.76
To: Montreal, QC (1)	In-store		122.05	119.85	132.17	129.80
From: Chicago (Mi)	Track		105.47	105.78	108.11	110.76
To: Montreal, QC	Track		134.33	134.64	136.97	139.62
From: Chatham, ON	Track		116.27	128.02	137.92	133.46
To: Montreal, QC	Track		140.14	151.89	161.79	157.26
Soymeal 48% Protein						
From: Hamilton, ON			237.10	237.44	265.54	312.50
To: Montreal, QC	Track		261.43	261.77	289.87	336.83
Moncton, NB	Track		280.18	280.52	308.62	355.58
Truro, NS	Track		283.40	283.74	311.84	358.80
Stephenville, NL	Track / Truck via Sydney		332.03	332.37	360.47	407.43

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

October 8, 2004

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----									
Dry Peas									
2000-2001	1,220	2.35	2,864	12	3,276	2,196	885	195	138
2001-2002	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004	1,271	1.67	2,124	24	2,458	1,272	981	205	175
2004-2005f	1,384	2.39	3,308	20	3,533	1,800	1,133	600	125-155
Lentils									
2000-2001	688	1.33	914	5	999	475	268	256	295
2001-2002	664	0.85	566	6	828	478	219	131	320
2002-2003	387	0.91	354	9	494	320	119	55	390
2003-2004	536	0.97	520	5	580	367	175	38	420
2004-2005f	719	1.30	938	5	981	550	281	150	310-340
Dry Beans									
2000-2001	162	1.65	268	40	348	227	71	50	465
2001-2002	175	1.70	298	42	390	263	97	30	725
2002-2003	219	1.89	414	40	484	297	117	70	445
2003-2004	167	2.14	357	31	458	347	86	25	495
2004-2005f	160	1.81	290	35	350	260	80	10	570-600
Chickpeas									
2000-2001	283	1.37	388	5	408	179	199	30	410
2001-2002	467	0.97	455	12	497	147	210	140	380
2002-2003	154	1.01	156	9	305	104	141	60	300
2003-2004	63	1.08	68	2	130	74	36	20	330
2004-2005f	50	1.10	55	5	80	40	35	5	370-400
Mustard Seed									
2000-2001	208	0.97	202	1	318	151	62	105	280
2001-2002	158	0.66	105	3	213	171	n/a	33	685
2002-2003	255	0.60	154	9	196	114	22	60	595
2003-2004	328	0.69	226	2	288	121	75	92	390
2004-2005f	313	0.90	281	2	375	160	85	130	330-360
Canary Seed									
2000-2001	164	1.04	171	0	261	170	21	70	265
2001-2002	163	0.70	114	0	184	134	20	30	660
2002-2003	227	0.78	176	0	206	164	22	20	575
2003-2004	243	0.91	220	0	240	170	n/a	67	345
2004-2005f	294	0.99	291	0	358	180	48	130	240-270
Sunflower Seed									
2000-2001	69	1.72	119	18	178	77	55	46	320
2001-2002	67	1.55	104	29	179	92	65	22	355
2002-2003	95	1.65	157	21	200	105	60	35	440
2003-2004	115	1.30	150	15	200	96	79	25	405
2004-2005f	75	1.47	110	15	150	80	60	10	495-525
Buckwheat									
2000-2001	15	0.93	14	1	16	9	7	0	305
2001-2002	14	1.14	16	1	17	6	8	3	325
2002-2003	12	1.00	12	1	16	6	7	3	340
2003-2004	9	1.11	10	1	14	5	7	2	355
2004-2005f	9	1.11	10	1	13	6	7	0	340-370
Total Pulse And Special Crops (c)									
2000-2001	2,809	1.76	4,940	82	5,804	3,484	1,568	752	
2001-2002	2,993	1.23	3,681	120	4,553	2,672	1,217	664	
2002-2003	2,399	1.16	2,788	130	3,582	1,738	1,231	613	
2003-2004	2,732	1.35	3,675	80	4,368	2,452	1,442	474	
2004-2005f	3,004	1.76	5,283	83	5,840	3,076	1,729	1,035	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chickpeas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f. forecast, Agriculture and Agri-Food Canada, October 8, 2004

n/a: Total domestic use is calculated residually. Based on current data on exports and carry-out stocks, it appears that Statistics Canada's production estimate may be low or carry-out stocks high resulting in a very low residual.

Source: Statistics Canada and industry consultations.



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

October 8, 2004

For 2004-05, total Canadian pulse and special crops production is forecast to increase by 44%, from 2003-04, to 5.28 million tonnes (Mt), based on Statistics Canada's (STC) September production estimates and AAFC forecasts where STC estimates were not available. Total pulse and special crops supply is expected to increase by only 34% to 5.84 Mt, because of lower carry-in stocks. Although exports and domestic use are forecast to increase due to the higher supply, strong demand and lower prices for most crops, carry-out stocks are also expected to increase. Average prices, over all grades and markets, are forecast to increase from 2003-04 for dry beans, chickpeas and sunflower seed, decrease for dry peas, lentils, mustard seed and canary seed, and be the same for buckwheat. However, prices are expected to be volatile due to the late harvest and uncertainty about production volumes and quality.

Harvesting has been behind normal by one to five weeks. The dry pea and lentil harvest is nearing completion, but a significant portion of mustard seed and most of dry beans, chick peas, canary seed and buckwheat remain to be harvested. The sunflower seed harvest is expected to start in mid-October. Warm and dry weather is needed to complete the harvest. Average yields are expected to be near trend, but abandonment is expected to be higher than normal and average quality lower than normal due to damage from frost and wet weather. The main factors to watch are temperatures and precipitation in Canada, exchange rates, and crop and harvest conditions in the major producing countries, especially the US, Australia and India.

DRY PEAS

For 2004-05, production and supply are estimated to increase, due to a 10% increase in seeded area and higher yields. Production increased for yellow, green and other types. World supply is expected to increase by 15% to 12.5 Mt, mainly because of higher production in Canada, EU, US and Australia, but this is expected to be mostly offset by increased use in both the feed and food markets. Canadian exports and domestic use are forecast to increase due to the higher supply and lower prices. For exports, most of the increase is expected to be to the EU and Asia. For domestic use, most of the increase is expected for feeding hogs. Carry-out stocks are forecast to increase with a stocks-to-use (s/u) ratio of 20%. The average price, over all types, grades and markets, is forecast to decrease due to the higher supply.

LENTILS

Production and supply are estimated to increase, due to a 36% increase in seeded area and higher yields. Production increased for large, medium and small green, red and other types. World supply is expected to increase by 15% to 3.63 Mt, due mainly to higher production in Canada and US. Canadian exports are expected to increase, as Canada's share of world supply increases and prices decrease. Carry-out stocks are forecast to increase, with a s/u of 18%. The average price, over all types and grades, is forecast to decrease due to the higher supply and lower average quality.

DRY BEANS

Production and supply are forecast to decrease, as a slight increase in seeded area is more than offset by lower yields, higher abandonment and lower carry-in stocks. Production and supply are expected to decrease for all classes, white pea, pinto, black, red kidney, cranberry, Great Northern, small red and pink beans. US

production is forecast to decrease due to a lower harvested area and lower yields. Total US and Canadian supply of nearly all major classes of dry beans is forecast to fall. Canadian exports are forecast to decrease, due to lower supply, and carry-out stocks are expected to decrease to a low level. The average price, over all classes and grades, is forecast to rise due to the lower supply.

CHICKPEAS

Production is forecast to decrease, due to an 8% decrease in seeded area. Production is expected to increase for the large and small kabuli types, but decrease for the desi type. However, supply is forecast to decrease for all types due to lower carry-in stocks. World supply is expected to decrease by 5% to 8.3 Mt. Canadian exports are forecast to decrease due to lower supply. Carry-out stocks are forecast to decrease to a low level. The average price, over all types, sizes and grades, is forecast to increase due to the lower supply.

MUSTARD SEED

Production is estimated to increase as a small decrease in seeded area is more than offset by higher yields. Production is expected to increase for the oriental and yellow types and remain stable for the brown type. However, supply is forecast to increase for all types due to higher carry-in stocks. A significant portion of the carry-in stocks were low quality seed. In the US, production of the yellow type is expected to decrease. Canadian exports are expected to increase because of stronger demand and lower prices. Carry-out stocks are forecast to increase, with a s/u ratio of 53%. The average price, over all types and grades, is forecast to decrease due to the higher supply.

CANARY SEED

Production and supply are forecast to increase, due to a 29% increase in seeded

area, higher yields and higher carry-in stocks. World supply is forecast to increase by 43% to 405,000 t. Canadian exports are expected to increase because of higher supply and lower prices. Carry-out stocks are forecast to increase, with a stocks-to-use ratio of 57%. The average price is forecast to decrease because of the higher supply.

SUNFLOWER SEED

Production and supply are forecast to fall, due to a 26% decrease in seeded area and higher abandonment. Production is expected to decrease for both types, confectionary and oilseed. In the US, harvested area, production and supply are expected to decrease for both types. World supply is expected to decrease slightly to 27.4 Mt. Canadian exports and domestic use are expected to decrease due to the lower supply. The average price, over both types and all grades, is forecast to increase due to the lower supply.

BUCKWHEAT

Production is forecast to remain stable, as an increase in seeded area is offset by higher abandonment, while supply decreases due to lower carry-in stocks. World supply is forecast to increase slightly to 2.2 Mt. Canadian exports are forecast to increase, while carry-out stocks decrease to a negligible level. The average price, over all grades and markets, is forecast to be the same as in 2003-04, as lower Canadian supply offsets pressure from higher world supply.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

October 8, 2004

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use (e)	Feed, Waste & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (f) \$/t
----- thousand metric tonnes-----											
Durum											
2002-2003	2,246	1.73	3,877	6	5,427	2,968	276	328	841	1,619	271.23
2003-2004	2,459	1.74	4,280	1	5,900	3,427	258	215	683	1,790	225 *
2004-2005f	2,094	2.23	4,671	1	6,461	3,400	260	501	961	2,100	211 *
Wheat Except Durum											
2002-2003	6,590	1.87	12,321	173	17,678	6,223	2,796	3,738	7,348	4,107	241.00
2003-2004	8,009	2.41	19,272	16	23,395	12,299	2,628	3,389	6,824	4,273	205 *
2004-2005f	7,812	2.53	19,791	20	24,084	12,800	2,625	3,720	7,184	4,100	195 *
All Wheat											
2002-2003	8,836	1.83	16,198	178	23,105	9,191	3,073	4,066	8,189	5,725	
2003-2004	10,467	2.25	23,552	18	29,295	15,726	2,886	3,604	7,507	6,062	
2004-2005f	9,907	2.47	24,462	21	30,545	16,200	2,885	4,221	8,145	6,200	
Barley											
2002-2003	3,348	2.24	7,489	259	9,796	945	175	6,755	7,376	1,475	171.88
2003-2004	4,446	2.77	12,328	36	13,838	2,444	311	8,555	9,288	2,106	135.80
2004-2005f	4,265	3.06	13,040	40	15,187	2,150	375	9,307	10,137	2,900	100-120
Corn											
2002-2003	1,283	7.01	8,999	3,904	13,958	308	2,385	10,121	12,540	1,111	145.34
2003-2004	1,226	7.82	9,587	2,063	12,761	283	2,415	8,907	11,335	1,143	137.18
2004-2005f	1,108	7.36	8,160	2,400	11,703	150	2,650	8,118	10,803	750	110-130
Oats											
2002-2003	1,379	2.11	2,911	21	3,294	1,190	132	1,255	1,580	524	193.91
2003-2004	1,575	2.34	3,691	19	4,234	1,559	156	1,548	1,875	800	136.65
2004-2005f	1,425	2.45	3,488	20	4,309	1,600	170	1,589	1,959	750	120-140
Rye											
2002-2003	77	1.74	134	2	185	52	38	43	103	30	139.67
2003-2004	147	2.22	327	1	358	50	47	193	258	50	104.44
2004-2005f	167	2.41	403	2	455	80	48	240	305	70	80-100
Mixed Grains											
2002-2003	132	2.72	359	0	359	0	0	359	359	0	
2003-2004	135	2.84	384	0	384	0	0	384	384	0	
2004-2005f	116	2.90	336	0	336	0	0	336	336	0	
Total Coarse Grains											
2002-2003	6,218	3.20	19,892	4,185	27,592	2,495	2,730	18,532	21,958	3,139	
2003-2004	7,529	3.50	26,317	2,119	31,575	4,336	2,930	19,588	23,140	4,099	
2004-2005f	7,081	3.59	25,428	2,462	31,989	3,980	3,243	19,589	23,539	4,470	
Canola											
2002-2003	3,262	1.35	4,407	239	5,896	2,394	2,225	343	2,607	894	415.09
2003-2004	4,689	1.44	6,771	242	7,907	3,754	3,390	110	3,541	612	387.04
2004-2005f	4,939	1.42	7,001	220	7,833	3,400	3,000	586	3,632	800	320-360
Flaxseed											
2002-2003	633	1.07	679	27	892	577	n/a	n/a	186	128	401.97
2003-2004	728	1.04	754	22	905	609	n/a	n/a	199	97	382.13
2004-2005f _{1/}	646	1.04	672	20	789	550	n/a	n/a	164	75	390-430
Soybeans											
2002-2003	1,024	2.28	2,336	651	3,159	723	1,763	419	2,291	145	307.55
2003-2004	1,047	2.17	2,268	586	2,999	905	1,500	325	1,954	140	395.04
2004-2005f	1,230	2.37	2,920	300	3,360	850	1,750	480	2,330	180	260-300
Total Oilseeds											
2002-2003	4,919	1.51	7,422	917	9,946	3,695	n/a	n/a	5,084	1,167	
2003-2004	6,464	1.52	9,794	850	11,811	5,268	n/a	n/a	5,694	849	
2004-2005f	6,815	1.55	10,593	540	11,981	4,800	n/a	n/a	6,126	1,055	
Total Grains And Oilseeds											
2002-2003	19,973	2.18	43,511	5,280	60,643	15,381	n/a	n/a	35,231	10,032	
2003-2004	24,461	2.44	59,663	2,986	72,681	25,330	n/a	n/a	36,341	11,010	
2004-2005f	23,802	2.54	60,482	3,023	74,515	24,980	n/a	n/a	37,810	11,725	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No.2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* September 2004 CWB Pool Return Outlook (PRO)

_{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

f: forecast - Agriculture and Agri-Food Canada October 8, 2004

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: GRAINS AND OILSEEDS OUTLOOK

October 8, 2004

For 2004-05, grain and oilseed production in Canada is forecast by AAFC to increase to 60.5 million tonnes (Mt), from 59.6 Mt in 2003-04. The production forecasts are based on Statistics Canada's September production estimates which are tentative, as the survey was taken before harvest started in most regions. Production in western Canada is expected to increase by 5% from 2003-04, to 46 Mt, while production in eastern Canada is forecast to fall by 6%, to 14.5 Mt. The harvest in Western Canada is currently about 50% complete, compared to about 90% normally, due to slow crop development and wet harvest conditions. The quality of all crops is expected to be below normal, with a smaller percentage of each crop falling into the top grades. In eastern Canada, crop development has also been delayed by cool, wet conditions, but normal quality for corn and soybeans is expected.

Total supplies of grains and oilseeds in Canada for 2004-05 are forecast to increase due to higher production and larger carry-in stocks. Total exports are forecast to decrease marginally to about 25 Mt. Total domestic usage and carry-out stocks are also forecast to increase. World prices for all grains and oilseeds, except flaxseed, are expected to decline due to increased world supplies, with prices in Canada further pressured by the strong Canadian dollar. The major factors to watch for 2004-05 are harvest conditions and crop quality in Canada, the production of corn and soybeans in the US, import demand from China, EU export policy and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2004-05, production is estimated to increase slightly, due to higher yields in western Canada. Supplies are forecast at 24.1 Mt, 3% above 2003-04 but about 1.2 Mt below the 10-year average. The proportion of the CWRS crop falling into the top 2 grades is expected to be well below normal, due to frost and moisture damage. Domestic use is projected to rise by 6%, largely due to greater feed use, resulting from increased supplies of low quality wheat in western Canada. Total exports are forecast to increase slightly, with higher exports from western Canada offsetting lower exports from Ontario. The projections are highly tentative, and assume that a significant quantity of feed wheat will be exported. Carry-out stocks are forecast to decline slightly. The CWB Sept. Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$195/t, in-store Vancouver/St. Lawrence (I/S VC/SL), down by \$10/t from 2003-04. Protein premiums are expected to increase, with the PRO for No.1 CWRS 13.5% at \$211/t, \$1/t above 2003-04.

DURUM

Production is estimated to increase by almost 10%, due to much-improved moisture conditions in the durum growing region. Supplies will rise by 10%, to 6.5 Mt, slightly above the 10-year average. Despite increased supplies, exports are expected to decline marginally, as world import demand for durum wheat is expected to remain weak due to large crops in the EU and North Africa. Quality problems in both regions, however, may increase the need to import good quality durum for blending. While Canadian durum quality will likely be below normal, it should be better than CWRS wheat, and supplies of high quality durum are expected to be adequate. Carry-out stocks are projected to increase by 17% to 2.1 Mt, 0.4 Mt above the 10-year average. The CWB PRO for No.1 CWAD 11.5% protein is up by \$11/t from July at \$211/t, I/S VC/SL, but remains \$14/t below 2003-04.

BARLEY

Production is estimated to increase by 6% due to higher yields, despite lower seeded area. Supplies are expected to rise by 10% due to higher carry-in stocks. Feed use is projected to increase significantly, due to higher supplies in western Canada and increased shipments to eastern Canada. Exports of malting barley are expected to drop significantly as lower crop quality reduces the selection rates, although import demand from China is projected to rise sharply. Exports of feed barley, for the crop year, are expected to increase significantly from 2003-04 due to increased supplies and low prices. Carry-out stocks are forecast to increase sharply. Off-Board feed barley prices are expected to decrease by about \$25/t from 2003-04 to \$110/t, due to increased domestic supplies and lower US corn prices. The CWB Sept. PRO for No.1 CW Feed Barley for the first pool period (Aug-Jan) is \$113/t I/S VC/SL, vs. \$167/t for 2003-04. The PRO for Special Select Two Row designated barley is expected to decrease to \$186/t from \$200/t for 2003-04, mainly due to higher supplies expected in Europe and Australia.

OATS

Production is estimated to decrease by 5%, as higher yields have only partially offset lower harvested area. Supplies are expected to rise slightly due to higher carry-in stocks. Exports, mainly to the US, are expected to rise slightly due to lower exportable supplies from Scandinavia. Due to lower US corn prices, oat prices are forecast to fall. US oats are expected to be priced at a premium of 10% to corn on a per tonne basis.

CORN

Production is estimated to decrease by 15%, due to lower seeded area and yields. Supplies are projected to decrease by 8%, as larger carry-in stocks and higher imports only partially offset lower production. Corn imports are expected to rise, as a result of lower production in eastern Canada. The feed use of corn is forecast to decline significantly as feed wheat and barley replace some of the corn. Carry-out stocks are forecast to decline sharply. Chatham corn prices are forecast to drop to \$120/t, due mainly to record US corn production.

CANOLA

Production is estimated to increase by 3%, but supplies are expected to decrease slightly due to lower carry-in stocks. Crop quality is expected to be significantly lower than normal. Domestic crush and exports are each forecast to drop by about 10%, due to lower domestic supplies of canola and higher waste and dockage. Carry-out stocks are expected to be historically low although higher than 2003-04. The average Vancouver cash price is forecast to decrease to \$340/t due to pressure from lower US soyoil prices, higher Canadian and world canola/rapeseed production and the stronger Canadian dollar.

FLAXSEED (excluding solin)

Production is estimated to decrease by 11% and supplies are also expected to decrease significantly due to lower production and carry-in stocks. Exports are forecast to decrease due to lower supplies and weaker EU demand. Carry-out stocks are expected to decrease and the average cash price is forecast to increase to \$410/t.

SOYBEANS

Production is estimated to increase by 29%, and supplies are expected to rise by 12% due to lower imports than 2003-04. Domestic use is expected to rise by 17%, and return to a level similar to previous years. Exports are projected to decline slightly due to competition from large US and South American supplies. The average Chatham price is forecast to fall to \$280/t, due to lower US soybean prices, related to higher world production, and the stronger Canadian dollar.

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Bi-weekly Bulletin

October 29, 2004 Volume 17 Number 16

CHINA: WHEAT

In 2003-2004, China was the largest export market for Canadian wheat with an estimated value of \$400 million. For 2004-2005, Canadian wheat exports to China are forecast at about 2 million tonnes (Mt), slightly higher than 2003-2004. China is expected to rely heavily on carry-over stocks and wheat imports to address the shortfall created by consumption exceeding domestic production. In view of the importance of trade and the tariff rate quotas for Chinese wheat imports, prompted by China's entry into the World Trade Organization (WTO), this issue of the *Bi-weekly Bulletin* examines the situation and outlook for Canadian wheat exports to China for 2004-2005 and over the medium-term.

AGRICULTURAL POLICY FOR WHEAT HAS BECOME LESS PROTECTIVE

China has concentrated on reducing the area devoted to inefficiently produced crops and increasing area for high value, labour intensive crops in which China has some advantages. In several provinces, the price protection policy has been eliminated, but the policy still remains in the major wheat producing provinces. However, these protected prices have consistently been well below the domestic prices for wheat.

Chinese wheat stocks, which had reached a high of 103 Mt in 1999-2000, are estimated by the United States Department of Agriculture (USDA) to have fallen to their lowest levels in 25 years. With accession to the WTO in December of 2001, China has made commitments to open its markets to agricultural imports. In 2004-2005, China is expected to import more wheat than it has in 10 years.

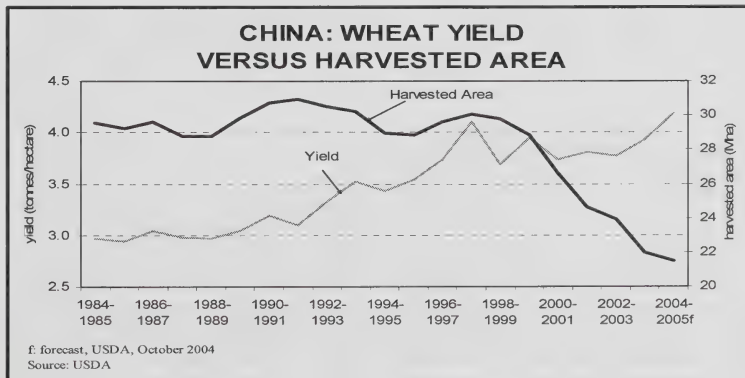
The central purchasing agency, China National Cereals, Oils and Foodstuffs Import Export Corporation (COFECO), continues to play an important role in the importation of wheat, rice and edible oils. This government designated grain buying agent controls 90% of wheat imports into China. Private trading companies and mills apply for allocations for the remaining 10%.

PRODUCTION HAS FALLEN DUE TO LOWER HARVESTED AREA

Over the last 5 years, Chinese winter and spring wheat areas have

been approximately 90% and 10%, respectively, of the total wheat acreage. The main winter wheat producing area in China is the province of Henan, in the east-central area of the country, which accounts for about 33% of total wheat in both area and production. High quality wheat accounts for nearly 40% of Henan's total wheat acreage.

Chinese harvested wheat area has fallen each year since 1997-1998 and is currently forecast at 21.5 million hectares in 2004-2005, the lowest in modern times. For 2004-2005, Chinese wheat



production is forecast at 90 Mt, up slightly from 2003-2004, largely due to expected record winter wheat yields.

RESEARCH HAS LED TO HIGHER QUALITY VARIETIES TO BETTER SERVICE DOMESTIC DEMAND

High quality wheat production is expected to account for 30% of the 2004-2005 crop, compared to near zero production 5 years ago, due to government incentives to seed producers as well as increasing market demand.

Millers have reported that domestic production can now provide more wheat that meets milling properties, that was in the past mainly provided by imports. Higher protein and gluten content is the most noted improvement. Most millers have stated they must still import wheat to blend but the proportion of imports needed is less.

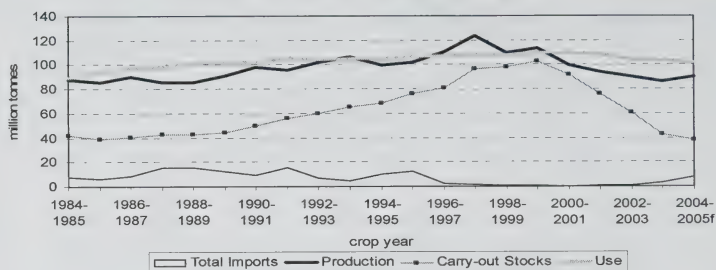
CONSUMPTION PATTERNS IN URBAN AREAS ARE SHIFTING TO A MORE BALANCED DIET

Wheat supplies have fallen by nearly 40% since 1999-2000 due to reduced seeded area, while Chinese imports have remained relatively low up until 2003-2004. Chinese per capita wheat

consumption has in fact been shifting downward from a high of 85 kilograms (kg) in 1993 to 70 kg in 2003. In urban areas, however, per capita wheat consumption is estimated at 26 kg, by the Economic Research Service, USDA. Consumers have increasingly diversified their diets to include more vegetables, fruits, and meats, while consuming fewer grains. This shift in consumption patterns is most pronounced in the urban areas where consumers have higher incomes, better access to alternative foods, and have ownership of more refrigerators and freezers to store perishables.

For 2004-2005, Chinese domestic use is forecast at 102 Mt, down slightly from 2002-2003 and the lowest since 1990-1991.

CHINA: WHEAT SUPPLY AND DISPOSITION



f: forecast, USDA, October 2004; Source: USDA

FEED USE HAS DECLINED AS WHEAT QUALITY IMPROVED

Feed use has also fallen, from a high of 10.0 Mt in 2000-2001 to 6.0 Mt in 2003-2004. The outbreak of the avian influenza in late 2003 reduced demand for feed as poultry flocks were depopulated. As a result, 2004-2005 feed wheat use is forecast at 4.0 Mt, down one third from last year.

CHINA IS EXPECTED TO CONTINUE TO BE A NET IMPORTER OF WHEAT

China was obligated to open a 9.636 Mt tariff rate quota (TRQ) for wheat in the 2004 calendar year, as a result of China's entry into the WTO in December of 2001. Under this agreement the wheat within this TRQ would have a 1% tariff, with imports beyond this quota carrying a duty of 65%.

In 2003-2004, the fill rate for the wheat TRQ was only 5%, according to USDA data. The effective value added tax on domestic wheat and imports is 13%. Nevertheless, low stocks of domestic wheat are expected to lead to a rise in imports for 2004-2005. For 2004-2005, wheat imports are forecast by USDA at 8 Mt, up from 3.8 Mt in 2003-2004, and the highest since 1995-1996.

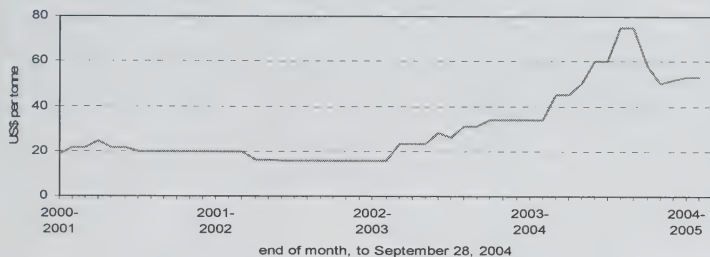
CHINA: WHEAT SUPPLY AND DISPOSITION

July-June crop year	2000 -2001	2001 -2002	2002 -2003	2003 -2004	2004 -2005f
.....million tonnes.....					
Carry-in Stocks	102.9	91.9	76.6	60.4	43.3
Production	99.6	93.9	90.3	86.5	90.0
Imports	0.2	1.1	0.4	3.8	8.0
Total Supply	202.7	186.9	167.3	150.7	141.3
Food, Seed	100.2	99.8	98.7	98.6	98.0
Feed, Waste and Dockage	10.0	9.0	6.5	6.0	4.0
Exports	0.6	1.5	1.7	2.8	1.0
Total Use	110.8	110.3	106.9	107.4	103.0
Carry-out Stocks	91.9	76.6	60.4	43.3	38.3
Stocks-to-use Ratio (%)	82.9	69.4	56.5	40.3	37.2

f: forecast, USDA, October 2004

Source: USDA

OCEAN FREIGHT RATES* TO CHINA FROM US GULF



* for heavy grains (wheat, corn and soybeans)
Source: International Grains Council

Despite record ocean freight rates in 2003-2004, Canadian wheat exports to China increased from 154,000 tonnes (t) in 2002-03 to 1.7 Mt in 2003-2004. For 2004-2005, Canadian wheat exports to China are forecast at about 2.0 Mt, the highest since 1995-1996. Canadian wheat exports to China now consist largely of No.1 and No.2 Canada Western Red Spring with high protein levels. Over 50% of the wheat purchased in 2003-2004 was high quality compared to just 20%, 8 years ago. The other Canadian class of wheat exported to China is Canada Prairie Spring Red Wheat. In 2003-2004, the other major suppliers of wheat to China were the US at 1.4 Mt and Australia at 0.3 Mt.

According to the USDA, US wheat exports to China in 2003-2004 consisted of 0.6 Mt of Soft red Winter (SRW), 0.6 Mt of hard red spring (HRS), and 0.2 Mt of soft

white winter (SWW) wheat. As of October 6, 2004-2005 US wheat export sales commitments to China total 2.0 Mt, including 0.8 Mt of SRW, 0.8 Mt of HRS and 0.4 Mt of SWW wheat.

Chinese wheat exports are largely of feed quality, mainly to South Korea and the Philippines. Smaller amounts are sold to Vietnam, Hong Kong and Indonesia. Wheat is priced very low to compete with the large supplies in India and Ukraine. For 2004-2005, Chinese wheat exports are forecast at 1.0 Mt, down 63% from last year and below the 5-year average of 1.4 Mt.

STOCKS ARE EXPECTED TO CONTINUE TO FALL DUE TO CHANGES IN DOMESTIC POLICY

Even though food consumption of wheat has been falling since the early 1990s, government policy encouraged production increases

until 1999-2000. As a result, production surpassed consumption from 1996-1999. By the end of the 1999-2000 crop year, Chinese wheat carry-out stocks were estimated to be similar to annual consumption which imposed high costs on the government. To reduce these costs, the government eliminated protective prices and government procurement in many provinces and auctioned off older low quality domestic wheat stocks. These stocks were largely consumed domestically as feed in the livestock and poultry sectors.

With wheat production falling from 114 Mt in 1999-2000 to 86 Mt in 2003-2004, Chinese wheat supplies are forecast to fall from a record 212 Mt in 1999-2000 to 141 Mt in 2004-2005. Total domestic use is forecast to be well below the 10-year average at 102 Mt, however, it is expected to exceed production for the fifth consecutive year. As a result, carry-out stocks are forecast by the USDA to decrease to 38 Mt, down 12% from 2003-2004 and the lowest since 1983-1984. The stocks-to-use ratio is forecast at 37%, down from 40% in 2003-2004.

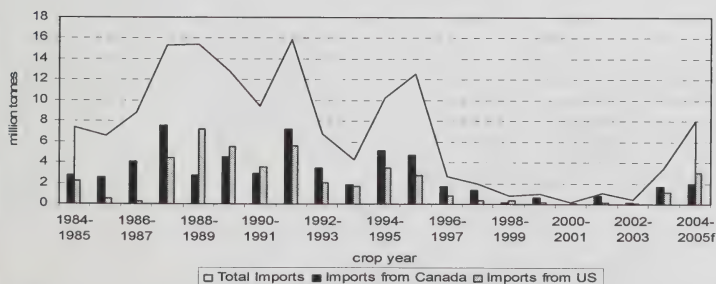
FLOUR EXPORTS TO CHINA ARE LIMITED DUE TO CHINA'S TRQ

For 2004-2005, Canadian exports of flour to China are forecast at 1,400 t, similar to last year. Chinese import tariffs for wheat flour are included in the wheat TRQ. However, the in-quota duty is 6% and the over-quota duty is 65%.

CHINA IS EXPECTED TO CONTINUE IMPORTING WHEAT AS IT REDUCES ITS CARRY-OUT STOCKS

Chinese wheat purchasing delegations recently have visited several of the major wheat exporting countries. China has already committed to purchase about 5 Mt from Canada, the US and Australia in 2004-2005 which has supported world wheat prices.

CHINA: WHEAT IMPORTS



f. forecast, USDA, October 2004; Source: USDA

China's wheat supplies in recent years have been covered by drawing down its once large stocks of wheat. Although the size of the stocks is somewhat uncertain, these will eventually be depleted and will likely force the government to cover this shortfall with increased wheat imports. For 2004-2005, Chinese wheat imports are unlikely to exceed the current USDA forecast of 8.0 Mt.

According to the USDA Agricultural Baseline Projections, China's economic growth, which has consistently been the strongest in Asia, is expected to average about 7% over the next decade. The population growth rate is expected to slow to 0.6% in the next decade, compared to 1.5% from 1981-1990. However, China's urban population is expected to rise by 300 million people over the next 20 years.

China is expected to continue to be deficit in wheat. According to the US Food and Agricultural Policy

Research Institute, Chinese wheat supplies are forecast to fall by 11% to 119 Mt through to 2013-2014. Wheat consumption is expected to remain relatively flat, rising marginally to 108 Mt in 2013-2014. As a result, Chinese wheat stocks are forecast to continue to fall to 21.5 Mt in 2013-2014. With this expected fall in wheat stocks, Chinese wheat imports are forecast to continue to increase.

The Canadian Wheat Board has forecast total Chinese wheat imports to rise to 5-10 Mt annually over the next decade, with demand strongest for high quality, high protein wheat. Canada is expected to be well positioned to continue to service China's expanding import market for wheat.

CANADA: WHEAT EXPORTS TO CHINA

August-July crop year	2000 -2001	2001 -2002	2002 -2003	2003 -2004	2004 -2005f
	.....thousand tonnes.....				
wheat	16.5	767.1	153.9	1,706.1	2,000.0
wheat flour	1.3	1.2	1.5	1.4	1.4

f: forecast, AAFC, October 2004

Source: Canadian Grain Commission

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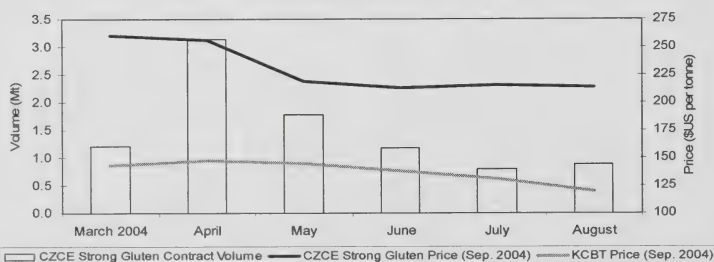
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ZHENGZHOU COMMODITY EXCHANGE (CZCE): NEW WHEAT FUTURES CONTRACT

The CZCE announced on March 4, 2003 that it would start trading in high quality wheat futures on March 28, 2004. The contracts months are January, March, May, July, September and November. Contracts are denominated in yuan/short ton (y/st) and each contract is 10 y/st, with a 3% limit to daily movements. The Exchange already deals in futures for lower-quality wheat. Zhengzhou is in the Province of Henan.

ZHENGZHOU COMMODITY EXCHANGE: WHEAT PRICE VERSUS VOLUME



Source: Kansas City Board of Trade, CZCE

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CHICKPEAS: SITUATION AND OUTLOOK

Pulses, including chickpeas, are increasingly being used in health-conscious diets to promote well-being and reduce the risk of illness. Canada is a significant producer of both desi and kabuli chickpeas, with production concentrated in south-western Saskatchewan and south-eastern Alberta. The introduction of chickpeas to these regions has contributed to the diversification of crop production. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for chickpeas.

WORLD

Production

During the past 10 years, world production has been variable, ranging from a low of 6.6 million tonnes (Mt) in 2000-2001 to a high of 9.5 Mt in 1998-1999. India

accounted for 60-70% of world production during this period. Production in India was variable, which was the main reason for the large range in world production.

The two commercial types of chickpeas produced are desi and kabuli. Countries in

the Indian sub-continent and Australia produced mainly the desi type, Canada produced both the kabuli and desi types, and the remaining countries

Exports ranged from a low of 313,000 tonnes (t) in calendar year 1995 to a high of 993,000 t in 2001. In 2002, the latest year for which world trade statistics are available, exports were 743,000 t. During the past 10 years, India was the largest importer of chickpeas, but imports were extremely variable, depending on the volume of production in India and price. Because of the variability in India's imports, there was large variability in total world imports. India and surrounding countries import mainly the desi type, while countries in North and South America, Europe, the Middle East and Africa import mainly the kabuli type.

CANADA

Production

Chickpea production at the commercial level in Canada started in 1995-1996 at about 1,000 t, but increased rapidly during the next six years to 455,000 t in 2001-2002. Saskatchewan accounted for at least 80% of Canadian production and Alberta for the balance. Production fell sharply in 2002-2003 due to lower seeded area and wet harvest conditions. Seeded area and production fell further in 2003-2004. The decrease in seeded area is due to the difficulty and high cost of controlling ascochyta blight, yield and quality losses during wet harvests, and price decreases.

Trade

World exports during the past 10 years were variable, but trending upwards.

Chickpeas have contributed to the diversification of crop production in Saskatchewan and Alberta and are valuable in crop rotations which help to control weeds, diseases and insects, and improve soil texture and fertility. The

WORLD: CHICKPEA SUPPLY AND DISPOSITION

	2000 -2001	2001 -2002	2002 -2003	2003 -2004p	2004 -2005f
Harvested Area (kha)	9,200	10,700	9,800	10,600	10,200
Average Yields (t/ha)	0.72	0.79	0.70	0.82	0.77
.....thousand tonnes.....					
Carry-in Stocks*	400	100	400	100	400
Production:					
India	3,850	5,470	4,130	5,770	5,300
Pakistan	565	397	362	672	600
Turkey	548	535	650	600	600
Iran	160	269	290	255	240
Myanmar	84	119	194	200	170
Ethiopia	176	176	180	180	170
Mexico	234	326	235	240	150
Australia	150	258	136	178	131
Syria	65	60	89	87	75
Spain	46	53	73	65	60
Canada	388	455	156	68	55
United States	59	73	38	20	20
Others	290	304	337	325	329
Total Production	6,615	8,495	6,870	8,660	7,900
Total Kabuli Production*	1,940	2,220	2,020	1,810	1,660
Total Desi Production*	4,675	6,275	4,850	6,850	6,240
Total Supply	7,015	8,595	7,270	8,760	8,300
Total Use*	6,915	8,195	7,170	8,360	8,200
Carry-out Stocks*	100	400	100	400	100
Stocks-to-use Ratio (%)	1	5	1	5	1

* estimate, AAFC, September 2004

p: preliminary estimate; f: forecast, AAFC, September 2004

Source: FAO, India Department of Agriculture, Pulse Australia, USDA and Statistics Canada

DEC 8 2004

Canada

production of chickpeas has also contributed to the expansion of the pulse crops handling, marketing and processing industry, which increased employment opportunities in rural areas.

Kabuli chickpeas, also known as garbanzo beans, have a larger, cream-coloured seed with a thin seed coat. The desi type has a smaller, darker coloured seed with a thick seed coat. Included in kabuli chickpea production are the large kabuli type with the seed size mostly 8-9 millimetres (mm) and a seed weight of about 410-490 grams/1000 seed, and the small kabuli type, which have a more uniform seed size of about 7 mm and a seed weight of about 265 grams/1000 seed. Yields of the desi and small kabuli types are about 20% higher than of the large kabuli type.

Kabuli chickpeas are best adapted to the Brown soil zone and desi chickpeas to the Dark Brown and Brown soil zones. Both soil zones are located in south-western Saskatchewan and south-eastern Alberta, where production problems of seedling blight, ascochyta blight and late maturity are less common. Chickpeas are relatively drought tolerant due to the long tap root. They are not well adapted to high moisture areas, saline soils, soils which are slow to warm in the spring and wet or waterlogged soils. Length of maturity depends on available heat and moisture, but is in the range of 100-115 days for the desi type and 110-125 days for the kabuli type. Chickpea production works well in rotation with cereal grains such as spring or durum wheat. Nitrogen fertilizer is usually not required since chickpeas possess the ability to fix nitrogen from the air in nodules on the roots

where it is used for plant growth.

To maximize the nitrogen fixation ability, chickpea seed should be inoculated with the chickpea strain of nitrogen-fixing inoculants.

The stage of crop development should be closely monitored nearing harvest, as weathered seed and dark seed discolouration (green, brown, black) makes the seed less desirable to most processors and consumers. Kabuli chickpea colour is especially important because buyers prefer a yellowish-cream colour. Early fall frost can result in green discolouration of immature kabuli chickpea seed, which will reduce the value of the crop. Other important factors affecting visual

quality are levels of admixture, seed size and seed uniformity. The use of conveyors instead of augers when handling chickpeas will reduce mechanical damage. The Canadian chickpea harvest generally occurs during the period from late-August to early October.

Marketing

All of the chickpeas produced in Canada are sold on the open market to dealers, mainly in Saskatchewan, who buy, clean and ship chickpeas to domestic and export consumers. There is also some dehulling and splitting of desi chickpeas in Saskatchewan. Some chickpeas are grown, under production contracts, which guarantee a price for part of the production, and others are sold on the spot market. Chickpeas are shipped mainly bagged in containers, although some are also shipped bulk in containers or bulk inside the hold of ships.

Domestic Use

Domestic use consists of food, feed, seed, dockage and waste. Only small volumes of low quality chickpeas are used for livestock feed, however nutritional analysis indicates that they make an excellent feed for hogs, cattle and poultry.

Exports

Canadian chickpea exports had been increasing, in line with the increase in production, and Canada became the world's third largest exporter in 2000 and 2002. Since then, exports have decreased as production has fallen, and Canada became the fifth largest exporter in the world. The main markets by region, with the leading countries in brackets, are Asia (India, Bangladesh, Pakistan), Europe (Spain, Italy, Portugal, France, Belgium, Greece), the Middle East (United Arab Emirates, Jordan, Saudi Arabia, Lebanon), Africa (Algeria, Morocco, Egypt), South America (Colombia, Brazil, Trinidad and Tobago), and the US. Exports to Asia are mainly of the desi type, although exports of the kabuli type are also significant. Exports to the other regions of the world are mainly of the kabuli type.

Prices

Canadian prices are largely determined in the international market because Canada exports most of its production. Although prices of the large kabuli type are higher than the desi type, they are also more volatile. Prices of the large kabuli type increase as the size of the seed increases from 7 mm, to 8 mm, to 9 mm and to 10 mm. The producer receives a weighted

CANADA: CHICKPEA SUPPLY AND DISPOSITION

<i>August-July crop year</i>	2000 -2001	2001 -2002	2002 -2003	2003 -2004p	2004 -2005f
Seeded Area (kha)	295	486	221	63	57
Harvested Area (kha)	283	467	154	63	50
Average Yields (t/ha)	1.37	0.97	1.01	1.08	1.10
.....thousand tonnes.....					
Carry-in Stocks	15	30	140	60	20
Production:					
Large Kabuli	155	185	55	23	25
Small Kabuli	38	115	31	15	19
Desi	195	155	70	30	11
Total Production	388	455	156	68	55
Imports	5	12	9	3	5
Total Supply	408	497	305	131	80
Exports:					
Asia	119	94	71	35	18
Europe	20	19	9	16	10
United States	3	4	4	6	5
South America	1	1	1	3	4
Central America	1	1	1	3	1
Africa	15	4	3	4	1
Middle East	16	21	10	3	1
Total Exports	179	147	104	75	40
Total Domestic Use	199	210	141	36	35
Total Use	378	357	245	111	75
Carry-out Stocks	30	140	60	20	5
Stocks-to-use ratio (%)	8	39	24	18	7
Harvested Area (kac)	699	1,154	381	156	124
Yield (lbs/ac)	1,200	840	900	960	980
Average producer price*					
Large Kabuli \$/t	672	529	518	507	550
\$/lb	0.305	0.240	0.235	0.230	0.250
Small Kabuli \$/t	518	353	353	309	330
\$/lb	0.235	0.160	0.160	0.140	0.150
Desi \$/t	331	353	342	231	287
\$/lb	0.150	0.160	0.155	0.105	0.130

* Saskatchewan, No.1 CW grade

p: preliminary estimate; f: forecast, AAFC, September 2004

Source: Statistics Canada, AAFC

average price for kabuli chickpeas based on the percentage of various sized seed. The price of the small kabuli type is generally higher than for the desi type, but lower than the weighted average large kabuli type price. Since there is no futures market for chickpeas, prices are negotiated directly between producers and dealers based on supply and demand factors for each type of chickpea.

Organizations

The Canadian Grain Commission (CGC) administers quality standards for chickpeas. The grades are No.1, 2 and 3 Canada Western (CW) Kabuli, and No.1, 2 and 3 CW Desi. Chickpeas which do not meet the listed grade standards are graded Sample CW. The major quality concerns in chickpea grading are damage due to heating and peeling, split or broken seed, seed discolouration, as well as foreign material. For further information, or to access the Official Grain Grading Guide, please visit the CGC website: (www.grainscanada.gc.ca)

The Canadian Special Crops Association (CSCA) (www.specialcrops.mb.ca) establishes trade rules for domestic trade and serves as a forum for exporters, dealers and brokers involved in the industry of trading Canada's pulse and special crops, including chickpeas. The website includes a section where buyers can submit a request for prices.

Pulse Canada (www.pulsecanada.com) is an industry organization, with the CSCA and provincial pulse growers' organizations as members. It is involved in market development and market access, coordination of scientific research and development, and policy issues. The website contains information on pulse crops, markets, and health and nutrition.

UTILIZATION

More than 90% of chickpeas are consumed in the countries where they are produced. Chickpeas are used almost exclusively for human consumption. The desi type seed must be dehulled and is used whole or split or milled. In

India and surrounding countries, the desi chickpeas are used whole, shelled and split to produce dhal, or ground into a fine flour called *besan*. *Besan* is used in many ways for cooking, including mixed with wheat flour to make roti or chapatti, and for making sweets and snacks. Chickpeas are also used as a vegetable. In the Middle East, consumption is based on a popular dish known as "hummus" which is produced from mashed chickpeas mixed with oil and spices. The kabuli types are used mainly in salad bars and vegetable mixes. They are also used in preparing a wide variety of snack foods, soups, sweets, and condiments. Smaller size kabuli chickpeas are also milled for flour. Kabuli chickpeas are substituted for desi chickpeas if the price is competitive

Healthy Diet

Pulses, including chickpeas, are increasingly being used in health-conscious diets to promote general well-being and reduce the risk of illness. They are low in sodium and

fat, high in protein, and are an excellent source of both soluble and insoluble fibre, complex carbohydrates, vitamins (especially B vitamins) and minerals (especially potassium, phosphorus, calcium, magnesium, copper, iron and zinc). Chickpeas are an inexpensive, high quality source of protein.

Since chickpeas are high in fibre, low in sodium and fat, and are cholesterol free, they are an excellent heart healthy food that may be beneficial to the prevention of coronary and cardiovascular disease.

Eating chickpeas may help lower blood cholesterol levels due to their high content of soluble fibre and vegetable protein.

Chickpea consumption can be beneficial in the management of type-2 diabetes because they have a low glycemic index of 55 or less, indicating that their effect on blood glucose is less than that of many other carbohydrate containing foods. Chickpeas also have other health effects, such as reducing blood lipids, that may help some serious complications of diabetes.

Flour made from chickpeas is gluten free and is a very nutritious option for people with celiac disease.

Chickpeas fit well in vegetarian diets as they are a good source of iron and protein, and complement the amino acid profile of cereal grains and nuts.

Insoluble dietary fibre consumption can be beneficial to a healthy colon and has been associated with reducing the risk of colon cancer. In addition, diets high in fibre have demonstrated beneficial effects on weight loss because they deliver more bulk and less energy.

Chickpeas are an excellent source of the B vitamin folate which is an essential nutrient. In addition, folate consumption during pregnancy has been shown to reduce the risk of neural tube defects.

OUTLOOK: 2004-2005

World

World production is forecast to decrease by 9% from 2003-2004 to 7.9 Mt, with decreases for both the desi and kabuli types. Total supply is expected to decrease by 5% to about 8.3 Mt. The world production forecast for 2004-2005 is preliminary as seeding in the countries of the Indian sub-continent does not occur until October and November, the

WORLD: CHICKPEA EXPORTS AND IMPORTS

<i>calendar year</i>	1998	1999	2000	2001	2002
	.....thousand tonnes.....				
EXPORTS					
Mexico	111	155	159	207	143
Iran	62	33	19	124	140
Canada*	12	21	133	149	125
Turkey	158	102	50	154	105
Australia	165	127	307	267	94
United States	10	23	35	30	23
Other	<u>66</u>	<u>49</u>	<u>50</u>	<u>62</u>	<u>113</u>
Total	584	510	753	993	743
IMPORTS					
India	110	11	64	517	218
Pakistan	21	15	165	106	182
Spain	41	56	59	69	58
Bangladesh	22	55	29	38	57
UAE	37	25	27	32	35
Algeria	37	38	37	70	34
Saudi Arabia	20	13	19	25	23
Italy	19	18	18	23	22
Jordan	18	19	18	22	21
Tunisia	18	19	18	20	19
United Kingdom	15	12	16	16	18
Sri Lanka	15	12	14	13	17
United States	12	12	12	11	12
Portugal	9	7	10	12	12
Turkey	21	8	7	14	11
France	12	9	13	13	11
Lebanon	9	7	9	17	10
Colombia	10	9	8	10	10
Other	<u>60</u>	<u>59</u>	<u>65</u>	<u>83</u>	<u>78</u>
Total	506	404	608	1,111	848

The difference between imports and exports is attributed to the timing of delivery and international classification differences.

Source: FAO, except * which is Statistics Canada, Sept. 2004

Australian harvest occurs in November and December and information about the crop in the Middle East is limited.

Canada

Area seeded in Canada decreased by 8%. Production is forecast to decrease by 19% to 55,000 t, as increases for the large and small kabuli types are more than offset by a decrease for the desi type. Supply is expected to decrease by 39% to 80,000 t because of lower carry-in stocks. Exports are expected to decrease due to the lower supply. Carry-out stocks are forecast to decrease to a low level. Lower world supply is expected to support prices of all types of chickpeas.

US FARM SECURITY AND RURAL INVESTMENT ACT OF 2002 (FSRIA)

Lentils, dry peas and small chickpeas were included, for the first time, under the loan program in 2002. The loan rate provides a floor return for small chickpea producers because if the market price is lower than the loan rate, the producer is eligible for a loan deficiency payment (LDP). This makes it easier for producers to obtain operating loans. The loan rate for small chickpeas was US\$7.56 per 100 pounds (cwt) for crop years 2002 and 2003, and is US\$7.43/cwt for 2004 to 2007. Small chickpeas are defined as those that "drop below a 20/64 screen" or less than 7.8 mm, which means the desi and small kabuli types. US production is nearly all the large kabuli type. There were no LDPs for crop year 2002, but for most of crop year 2003 the LDPs were US\$1.56/cwt, but later in the year they gradually rose to US\$2.56/cwt. For crop year 2004, the LDPs started at US\$1.43/cwt, but gradually increased to the current rate of US\$2.43/cwt. The base quality for the 2002 crop year was No.1 grade, but was lowered starting with the 2003 crop year to No.3 grade, which made it easier to qualify for LDPs. US seeded area for small chickpeas for 2002 and prior years is not available, but was estimated to have been very small. For 2003, the area was 2,428 ha and for 2004 2,671 ha. Although including small chickpeas under the loan program has encouraged additional seeding, small chickpea production in the US is still low. Small chickpeas are produced mainly in North Dakota, South Dakota and Idaho. Large chickpea production is mainly in California, Washington and Idaho.

Crop development has been later than normal due to cool weather through most of the growing period. The harvest has been delayed due to late crop development and by wet weather. Average yields are forecast to be near trend, but abandonment is expected to be higher than normal and average quality lower than normal due to wet weather and harvest delays.

India

Chickpeas in India are grown as a winter crop in the central and north-western parts of the country. Nearly all of the chickpeas produced in India are the desi type. Chickpeas are generally seeded in October and November and harvested mainly in March and April. Most of the rainfall in the chickpea growing areas occurs during the summer monsoon season, which normally lasts from early June to early October in the central parts of the country and mid-June to late September in the north-western parts. The monsoon rainfall provides moisture for the summer crops and a moisture reserve for winter crops, such as chickpeas. Chickpeas are generally grown without irrigation. In 2004, the monsoon rainfall has been lower than normal in most chickpea growing areas. Therefore, the chickpea areas will have below normal moisture reserves and will be dependent on winter rains. However, winter rainfall is much lower and less reliable than during the summer. Although there is a great deal of uncertainty about the 2004-2005 chickpea crop in India, production is expected to decrease. Lower production would increase imports of desi chickpeas. Imports of kabuli chickpeas would also increase, although prices would have to be competitive with the desi type. Therefore most of the imports of the kabuli type would be of the smaller size seed. In addition, imports of yellow peas would also increase because they are used as a cheaper substitute for desi chickpeas. Larger imports of desi and kabuli chickpeas, and yellow peas would strengthen Canadian prices for desi and kabuli chickpeas, as well as for yellow peas.

OUTLOOK: CANADA LONGER TERM

The main reason for the drop in seeded area since 2001-2002 has been the difficulty and high cost of controlling ascochyta blight. A second major reason is that the current varieties tend to grow

until they are under stress, which could be drought or frost. The ideal growing conditions are moderate precipitation and normal to above normal temperatures from seeding to about the end of July and then drought for the maturing and harvest periods. Work is underway to develop varieties which are more resistant to ascochyta blight and mature earlier, making them more suitable for Canadian growing conditions. Work is also underway to develop larger kabuli chickpeas and desi chickpeas with light tan or tan seed colour, which is expected to increase market opportunities for Canadian chickpeas. When these varieties are developed, the seeded area is expected to increase significantly.

For periodic updates on the situation and outlook for chickpeas, visit the Market Analysis Division Website for "Canada: Pulse and Special Crops Outlook."

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

September 10, 2004

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----									
Dry Peas									
2000-2001	1,220	2.35	2,864	12	3,276	2,196	885	195	138
2001-2002	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004p	1,271	1.67	2,124	25	2,459	1,350	904	205	175
2004-2005f	1,380	2.14	2,950	20	3,175	1,700	1,075	400	130-160
Lentils									
2000-2001	688	1.33	914	5	999	475	268	256	295
2001-2002	664	0.85	566	6	828	478	219	131	320
2002-2003	387	0.91	354	9	494	320	119	55	390
2003-2004p	536	0.97	520	6	581	400	143	38	420
2004-2005f	680	1.13	770	5	813	500	193	120	340-370
Dry Beans									
2000-2001	162	1.65	268	40	348	227	71	50	465
2001-2002	175	1.70	298	42	390	263	97	30	725
2002-2003	219	1.89	414	40	484	297	117	70	445
2003-2004p	167	2.14	357	30	457	355	82	20	495
2004-2005f	160	1.84	295	35	350	260	80	10	560-590
Chickpeas									
2000-2001	283	1.37	388	5	408	179	199	30	410
2001-2002	467	0.97	455	12	497	147	210	140	380
2002-2003	154	1.01	156	9	305	104	141	60	300
2003-2004p	63	1.08	68	3	131	75	36	20	330
2004-2005f	50	1.10	55	5	80	40	35	5	370-400
Mustard Seed									
2000-2001	208	0.97	202	1	318	151	62	105	280
2001-2002	158	0.66	105	3	213	171	9	33	685
2002-2003	255	0.60	154	9	196	114	22	60	595
2003-2004p	328	0.69	226	2	288	145	51	92	390
2004-2005f	320	0.78	250	2	344	170	54	120	340-370
Canary Seed									
2000-2001	164	1.04	171	0	261	170	21	70	265
2001-2002	163	0.70	114	0	184	134	20	30	660
2002-2003	227	0.78	176	0	206	164	22	20	575
2003-2004p	243	0.91	220	0	240	170	n/a	67	345
2004-2005f	300	0.93	280	0	347	180	37	130	240-270
Sunflower Seed									
2000-2001	69	1.72	119	18	178	77	55	46	320
2001-2002	67	1.55	104	29	179	92	65	22	355
2002-2003	95	1.65	157	21	200	105	60	35	440
2003-2004p	115	1.30	150	17	202	105	72	25	405
2004-2005f	80	1.44	115	15	155	85	60	10	485-515
Buckwheat									
2000-2001	15	0.93	14	1	16	9	7	0	305
2001-2002	14	1.14	16	1	17	6	8	3	325
2002-2003	12	1.00	12	1	16	6	7	3	340
2003-2004p	9	1.11	10	1	14	6	7	1	355
2004-2005f	9	1.11	10	1	12	6	6	0	340-370
Total Pulse And Special Crops (c)									
2000-2001	2,809	1.76	4,940	82	5,804	3,484	1,568	752	
2001-2002	2,993	1.23	3,681	120	4,553	2,672	1,217	664	
2002-2003	2,399	1.16	2,788	130	3,582	1,738	1,231	613	
2003-2004p	2,732	1.35	3,675	84	4,372	2,606	1,298	468	
2004-2005f	2,979	1.59	4,725	83	5,276	2,941	1,540	795	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chickpeas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

p: preliminary

f: forecast, Agriculture and Agri-Food Canada, September 10, 2004

n/a: Total domestic use is calculated residually. Based on current data on exports and carry-out stocks, it appears that Statistics Canada's 2003-04 production estimate may be low or carry-out stocks high resulting in a very low residual.

Source: Statistics Canada and industry consultations.



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

September 10, 2004

For 2004-05, total Canadian pulse and special crops production is forecast to increase by 29%, from 2003-04, to 4.73 million tonnes (Mt). Statistics Canada (STC) provided a July 31 production estimate for dry peas, but production is expected to be lower than STC's estimate as crop conditions have deteriorated since the survey was taken because of frost and cool and wet weather. Production of other pulse and special crops is forecast by AAFC, as STC did not provide production estimates. Total pulse and special crops supply is expected to increase by only 21% to 5.28 Mt, because of lower carry-in stocks. Although exports and domestic use are forecast to increase due to the higher supply, strong demand and lower prices for most crops, carry-out stocks are also expected to increase. Average prices, over all grades and markets, are forecast to increase from 2003-04 for dry beans, chickpeas and sunflower seed, decrease for dry peas, lentils, mustard seed and canary seed, and be the same for buckwheat. However, prices are expected to be volatile due to the late harvest and uncertainty about production volumes.

Crop development is behind normal, by as much as four weeks, due to seeding delays and below normal temperatures during the growing period. Frost has occurred in most agricultural areas of western Canada. There has been damage in terms of quantity and quality, but the full extent of the damage will not be known until harvest is complete. Harvest progress is significantly behind normal. Average yields are forecast to be near trend, but abandonment is expected to be higher than normal due to damage from frost and excessive moisture. Average quality is expected to be lower than normal. Warm dry weather is needed to bring the crops to maturity and for harvesting. However, the average temperatures are gradually decreasing and the risk of additional frost damage is high. Other factors which could cause additional damage are rain and snow. There are some areas where the soil is so saturated that harvest equipment can't work on it. The main factors to watch in Canada are precipitation and temperatures, crop development, and harvest progress. Other factors to watch are exchange rates and crop conditions in the major producing countries, especially the US, Australia and India.

DRY PEAS

For 2004-05, production and supply are forecast to increase, due to a 10% increase in seeded area and higher yields. Production is expected to increase for yellow, green and other types. World supply is forecast to increase by 10% to 12.1 Mt, mainly because of higher production in Canada, EU, US and Australia, but this is expected to be mostly offset by increased use in both the feed and food markets. Canadian exports and domestic use are forecast to increase due to the higher supply and lower prices. For exports, most of the increase is expected to be to the EU and Asia. For domestic use, most of the increase is expected for feeding hogs. Carry-out stocks are forecast to increase with a stocks-to-use (s/u) ratio of 14%. The average price, over all types, grades and markets, is forecast to decrease due to the higher supply.

LENTILS

Production and supply are forecast to increase, due to a 36% increase in seeded area and higher yields. Production is expected to increase for large, medium and small green, red and other types. World supply is expected to increase by 11% to 3.5 Mt, due mainly to higher production in Canada. Canadian exports are expected to increase, as Canada's share of world supply increases and prices decrease. Carry-out stocks are forecast to increase, with a s/u of 17%. The average price, over all types and grades, is forecast to decrease due to the higher supply.

DRY BEANS

Production and supply are forecast to decrease, as a slight increase in seeded area is more than offset by lower yields, higher abandonment and lower carry-in stocks. Production and supply are expected to decrease for all classes, white pea, pinto, black, red kidney, cranberry, Great Northern, small red and pink beans. US production is forecast to decrease due to a

lower harvested area and lower yields. Total US and Canadian supply of nearly all major classes of dry beans is forecast to fall. Canadian exports are forecast to decrease, due to lower supply, and carry-out stocks are expected to decrease to a low level. The average price, over all classes and grades, is forecast to rise due to the lower supply.

CHICKPEAS

Production is forecast to decrease, due to an 8% decrease in seeded area. Production is expected to increase for the large and small kabuli types, but decrease for the desi type. However, supply is forecast to decrease for all types due to lower carry-in stocks. World supply is expected to decrease by 5% to 8.3 Mt. Canadian exports are forecast to decrease due to lower supply. Carry-out stocks are forecast to decrease to a low level. The average price, over all types, sizes and grades, is forecast to increase due to the lower supply.

MUSTARD SEED

Production is forecast to increase as a small decrease in seeded area is more than offset by higher yields. Production is expected to increase for the oriental type, decrease for the brown type and remain stable for the yellow type. However, supply is forecast to increase for all types due to higher carry-in stocks. A significant portion of the carry-in stocks are expected to be low quality seed. In the US, production of the yellow type is expected to decrease. Canadian exports are expected to increase because of stronger demand and lower prices. Carry-out stocks are forecast to increase, with a s/u ratio of 54%. The average price, over all types and grades, is forecast to decrease due to the higher supply.

CANARY SEED

Production and supply are forecast to increase, due to a 29% increase in seeded area, higher yields and higher carry-in stocks. World supply is forecast to increase by 40% to 395,000 t. Canadian exports are

expected to increase because of higher supply and lower prices. Carry-out stocks are forecast to increase, with a stocks-to-use ratio of 60%. The average price is forecast to decrease because of the higher supply.

SUNFLOWER SEED

Production and supply are forecast to fall, due to a 26% decrease in seeded area and higher abandonment. Production is expected to decrease for both types, confectionary and oilseed. In the US, harvested area, production and supply are expected to decrease for both types. World supply is expected to decrease by 3% to 26.9 Mt. Canadian exports and domestic use are expected to decrease due to the lower supply. The average price, over both types and all grades, is forecast to increase due to the lower supply.

BUCKWHEAT

Production is forecast to remain stable, as an increase in seeded area is offset by higher abandonment, while supply decreases due to lower carry-in stocks. World supply is forecast to increase slightly to 2.2 Mt. Canadian exports are forecast to remain stable, while carry-out stocks decrease to a negligible level. The average price, over all grades and markets, is forecast to be the same as in 2003-04, as lower Canadian supply offsets pressure from higher world supply.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION September 10, 2004

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use (e)	Feed, Waste & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (f) \$/t
----- thousand metric tonnes-----											
Durum											
2002-2003	2,246	1.73	3,877	6	5,427	2,968	276	328	841	1,619	271.23
2003-2004p	2,459	1.74	4,280	1	5,899	3,321	258	322	789	1,790	225 *
2004-2005f	2,170	2.06	4,480	1	6,271	3,400	260	411	871	2,000	200 **
Wheat Except Durum											
2002-2003	6,590	1.87	12,321	173	17,678	6,223	2,796	3,738	7,348	4,107	241.00
2003-2004p	8,009	2.41	19,272	16	23,395	12,236	2,620	3,459	6,886	4,273	208 *
2004-2005f	8,025	2.50	20,100	20	24,393	12,800	2,625	3,850	7,293	4,300	195 **
All Wheat											
2002-2003	8,836	1.83	16,198	178	23,105	9,191	3,073	4,066	8,189	5,725	
2003-2004p	10,467	2.25	23,552	17	29,294	15,557	2,878	3,781	7,675	6,062	
2004-2005f	10,195	2.41	24,580	21	30,663	16,200	2,885	4,261	8,163	6,300	
Barley											
2002-2003	3,348	2.24	7,489	259	9,796	945	175	6,755	7,376	1,475	171.88
2003-2004p	4,446	2.77	12,328	45	13,847	2,400	320	8,601	9,341	2,106	136.00
2004-2005f	4,265	3.02	12,900	40	15,046	2,600	375	9,116	9,946	2,500	110-130
Corn											
2002-2003	1,283	7.01	8,999	3,904	13,958	308	2,385	10,121	12,540	1,111	145.34
2003-2004p	1,226	7.82	9,587	1,900	12,598	300	2,550	8,513	11,098	1,200	137.62
2004-2005f	1,140	7.37	8,400	2,500	12,100	150	2,650	8,465	11,150	800	115-135
Oats											
2002-2003	1,379	2.11	2,911	21	3,294	1,190	132	1,255	1,580	524	193.91
2003-2004p	1,575	2.34	3,691	20	4,235	1,450	170	1,640	1,985	800	137.00
2004-2005f	1,450	2.45	3,550	20	4,370	1,500	170	1,650	2,020	850	120-140
Rye											
2002-2003	77	1.74	134	2	185	52	38	43	103	30	139.67
2003-2004p	147	2.22	327	1	358	50	47	193	258	50	104.44
2004-2005f	165	2.33	385	2	437	80	48	232	297	60	85-105
Mixed Grains											
2002-2003	132	2.72	359	0	359	0	0	359	359	0	
2003-2004p	135	2.84	384	0	384	0	0	384	384	0	
2004-2005f	125	2.48	310	0	310	0	0	310	310	0	
Total Coarse Grains											
2002-2003	6,218	3.20	19,892	4,185	27,592	2,495	2,730	18,532	21,958	3,139	
2003-2004p	7,529	3.50	26,317	1,966	31,422	4,200	3,087	19,331	23,066	4,156	
2004-2005f	7,145	3.60	25,545	2,562	32,263	4,330	3,243	19,773	23,723	4,210	
Canola											
2002-2003	3,262	1.31	4,271	239	5,760	2,394	2,225	207	2,471	894	415.09
2003-2004p	4,689	1.42	6,669	241	7,804	3,762	3,390	0***	3,431	611	387.04
2004-2005f	5,123	1.46	7,500	220	8,331	3,700	3,200	586	3,831	800	330-370
Flaxseed											
2002-2003	633	1.07	679	27	892	577	n/a	n/a	186	128	401.97
2003-2004p	728	1.04	754	22	905	605	n/a	n/a	202	97	382.13
2004-2005f ^{1/}	737	1.09	800	20	917	600	n/a	n/a	218	100	355-395
Soybeans											
2002-2003	1,024	2.28	2,336	651	3,159	723	1,763	419	2,291	145	307.55
2003-2004p	1,047	2.17	2,268	600	3,013	900	1,546	338	1,984	129	395.04
2004-2005f	1,193	2.40	2,860	300	3,291	800	1,750	491	2,341	150	260-300
Total Oilseeds											
2002-2003p	4,919	1.48	7,286	917	9,811	3,694	n/a	n/a	4,948	1,167	
2003-2004f	6,464	1.50	9,691	863	11,722	5,267	n/a	n/a	5,617	837	
2004-2005	7,053	1.58	11,160	540	12,539	5,100	n/a	n/a	6,390	1,050	
Total Grains And Oilseeds											
2002-2003	19,973	2.11	43,376	5,280	60,508	15,380	n/a	n/a	35,095	10,031	
2003-2004p	24,460	2.44	59,560	2,846	72,438	25,024	n/a	n/a	36,358	11,055	
2004-2005f	24,393	2.52	61,285	3,123	75,465	25,630	n/a	n/a	38,276	11,560	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No. 1 CWRS 11.5% protein and No. 1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver),

Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No. 2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures);

Rye (No. 2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* July 2004 CWB Pool Return Outlook (PRO) **August 2004 PRO

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

p: preliminary estimates

f: Agriculture and Agri-Food Canada forecast, September 10, 2004

*** Statistics Canada (STC) estimates feed, waste and dockage (FWD) at -0.2Mt. FWD is calculated by STC as a residual, based on its November 2003 production estimate and crop-year estimates for exports, human food, industrial use and carry-out stocks. STC is expected to revise its production and FWD estimates in subsequent releases.

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: GRAINS AND OILSEEDS OUTLOOK

September 10, 2004

For 2004-05, grain and oilseed production in Canada is forecast by AAFC to increase to 61.3 million tonnes (Mt), from 59.6 Mt in 2003-04. The production forecasts are based on Statistics Canada's July 31 production estimates, with western Canadian production for most crops revised downward by AAFC due to subsequent cool, wet weather conditions, including frost in many regions. These production forecasts are very tentative, as the extent of frost damage will not be known until after harvest. Production in western Canada is expected to increase by 6% from 2003-04, to 46.6 Mt, while production in eastern Canada is forecast to fall by 5%, to 14.7 Mt. Crop development in western Canada is as much as four weeks behind normal due to delayed seeding and cool temperatures. The harvest is currently being delayed by wet conditions in many regions. The quality of all crops is expected to be below normal, with a smaller percentage of each crop falling into the top grades. In eastern Canada, crop development has also been delayed by cool, wet conditions, but normal quality is expected.

Total supplies of grains and oilseeds in Canada for 2004-05 are forecast to increase due to a combination of higher production and larger carry-in stocks. Total exports are forecast to increase slightly to about 26 Mt. Total domestic usage and carry-out stocks are also forecast to increase. World prices for all grains and oilseeds are expected to decline due to increased world supplies, with prices in Canada further pressured by the strong Canadian dollar. The major factors to watch for 2004-05 are harvest conditions in Canada and the US, import demand from China, EU export policy and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2004-05, production is forecast to increase by 4%, due to higher production in western Canada, with production in Ontario declining by 25% due to lower seeded area and yields. Supplies are forecast at 24.4 Mt, 4% above 2003-04 but about 1 Mt below the 10-year average. Domestic use is projected to rise by 6%, largely due to greater feed use, assuming a lower quality western crop. Human food use is expected to recover slightly due to reduced interest in low-carbohydrate diets, but remain below normal. Total exports are forecast to increase by 5%, with higher exports from western Canada partly offset by lower exports from Ontario. Carry-out stocks are forecast to be relatively unchanged at 4.3 Mt, well below the 10-year average of 5.4 Mt. The Canadian Wheat Board (CWB) August Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$195/t, in-store Vancouver/St. Lawrence (I/S VC/SL), down by \$13 from both the July PRO and 2003-04.

DURUM

Production is forecast to increase by 5%, despite lower seeded area, due to much-improved moisture conditions in the durum growing region. With 11% higher carry-in stocks, supplies will rise by 6%, to 6.3 Mt, equal to the 10-year average. Despite increased supplies, exports are expected to rise only marginally, to 3.4 Mt. World import demand for durum wheat is expected to remain weak due to large crops in the EU and North Africa, although quality problems in both regions may increase the need to import good quality durum for blending. While Canadian durum quality will be lower than in 2003-04, it should be relatively better than non-durum wheat, and supplies of high quality durum are expected to be adequate. Carry-out stocks are projected to increase by 12% to 2.0 Mt, 0.3 Mt above the 10-year average. The CWB PRO for No.1 CWAD 11.5% protein is unchanged from July at \$200/t, I/S VC/SL, \$25/t below 2003-04. A premium of \$5/t to No.1 CWRS 11.5% is projected, vs. \$17/t in 2003-04.

BARLEY

Production is forecast to increase by 5% due to higher yields, despite lower seeded area. Due to higher carry-in stocks and production, supplies are expected to rise by 9%. Feed use is projected to increase significantly, due to higher barley supplies in western Canada and increased shipments to eastern Canada. Malting barley exports are expected to rise, as import demand from China returns to normal. Feed barley exports are forecast to fall, due to increased competition from the Black Sea region, the EU-25, and Australia. Carry-out stocks are forecast to increase significantly. Off-Board feed barley prices are expected to decrease by about \$15/t from 2003-04 to \$120/t, due to increased domestic barley production and depressed US corn prices. The CWB August PRO for No.1 CW Feed Barley is \$116/t I/S VC/SL, vs. \$167/t for 2003-04. The PRO for Special Select Two Row designated barley is \$181/t vs. \$200/t for 2003-04, mainly due to higher supplies expected in Europe and Australia.

OATS

Production is forecast to drop slightly as higher yields only partially offset lower harvested area. Supplies are expected to rise by 3% as a result of higher carry-in stocks. Exports, mainly to the US, are expected to rise slightly. Due to lower US corn prices, oat prices are forecast to decline. US oats are expected to be priced at a premium of about 10% to corn on a per tonne basis.

CORN

Production is forecast to fall by 12%, due to lower seeded area and yields. Supplies are projected to decrease by 4% as larger carry-in stocks and higher imports only partially offset lower production. Corn imports, especially to eastern Canada, are expected to rise, as a result of lower domestic supplies. The feed use of corn is forecast to decline as barley replaces some of the corn. Carry-out stocks are forecast to decline sharply. Chatham corn prices are forecast to drop by \$13/t to \$125/t, due to the prospect for record US corn production.

CANOLA

Production is forecast to rise by 12%, but supplies are expected to increase by only 7% due to lower carry-in stocks. Crop quality is projected to be significantly lower than normal. Combined with large supplies of canola/rapeseed and soybeans from competing countries, domestic crush and exports are forecast to drop by 6% and 2%, respectively. Carry-out stocks are forecast to increase from 2003-04. The average Vancouver cash price is forecast to decrease to \$350/t due to pressure from lower US soybean prices, higher Canadian and world canola/rapeseed production and the stronger Canadian dollar.

FLAXSEED (excluding solin)

Production is forecast to increase by 6%, but supplies are expected to only rise marginally due to lower carry-in stocks. Exports are forecast to decrease marginally due to weaker EU demand. Carry-out stocks are expected to increase marginally and the average cash price is forecast to decrease slightly to \$375/t.

SOYBEANS

Production is forecast to increase by 26%, and supplies are expected to rise by 9% due to lower imports than 2003-04. Domestic use is expected to rise by 13%, and return to a level to similar to previous years. Exports are projected to decline slightly due to competition from large US and South American supplies. The average Chatham price is forecast to fall to \$280/t due to lower US soybean prices, related to higher world production, and the stronger Canadian dollar.

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Bi-weekly Bulletin

September 10, 2004 Volume 17 Number 14

PROFILE OF THE CANADIAN OILSEEDS SECTOR: PART 2

Historically, oilseeds tend to be a higher value crop than cereals, providing farmers with an alternative for market diversification. For producers in western Canada, canola, flaxseed, mustard seed and sunflower seed are considered as cash crops, as soybeans are for producers in eastern Canada. Decisions on how much of each crop to plant are made independently by each producer. Marketing of the crops and products is conducted by grain companies. This *Bi-weekly Bulletin* provides a brief overview of the marketing sector and some of the major organizations involved.

CANOLA

Canola seed exports continue to grow

Canola products are sold both domestically and abroad. In the early 1990s, about half of the average 3.9 million tonnes (Mt) canola seed crop was crushed domestically and the other half was exported. Starting in 1993, increased production of seed led to increased seed exports which peaked at 4.9 Mt in 1999. Since 1994, the crushing capacity for canola seed has more than doubled. Therefore, since 1995, the industry has directed its new market development towards the market for value added products: canola oil and canola meal, while undertaking market maintenance in its important seed markets particularly of Japan and Mexico. Forecasts for future years indicate that exports of seed will be

around 3.0-4.0 Mt while domestic processing is expected to range between 3.0-4.0 Mt.

For canola seed, exports for 2003 were 3.3 Mt. Historically, Japan is the major market for canola seed followed, during the early 2000s by Mexico, China and the United States (US).

Canola seed is marketed by grain companies which have an international network of business contacts, agents representatives etc. Most of the largest companies have their own primary elevators providing a marketing, storage and distribution. They also own, are

partners, or have an operating agreement with terminal elevators located in Vancouver, British Columbia (B.C.), Prince Rupert, B.C. and Thunder Bay, Ontario. The terminal and port facilities in Churchill, Manitoba are owned by OmniTrax, a private railroad, and are managed by Louis Dreyfus, a private elevator company.

Winnipeg Commodity Exchange and canola prices

Prices for canola seed are discovered on the futures market of the Winnipeg Commodity Exchange (WCE) through the buying and selling of contracts by numerous traders. The WCE provides

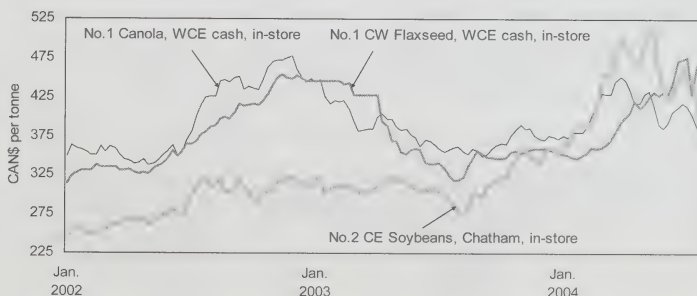
CANADA: CANOLA EXPORTS

calendar year	2002	2003	2004f
.....thousand tonnes.....			
Japan	1,557	1,682	1,700
Mexico	489	711	950
China	66	319	400
United States	157	113	150
Other	9	426	650
Total	2,278	3,251	3,850

f: forecast, AAFC, July 2004

Source: Statistics Canada

CANADA: OILSEED PRICES



Source: Winnipeg Commodity Exchange, Ontario Ministry of Agriculture and Food

the facilities for buyers, sellers and users of canola seed to exchange canola seed contracts.

Futures contracts are based on 20 tonne lots of non-commercially clean No.1 canola, free on board (fob) in the PAR region (within a 150 kilometre radius of Saskatoon, Saskatchewan. The WCE has four additional delivery regions, central east (non-par location in Saskatchewan at \$0.00/tonne discount), central-west region (non-par locations in Saskatchewan at a \$2.00/tonne premium), eastern (non-par locations in Manitoba at a \$2.00/tonne discount) and western (non-par locations in Alberta at a \$6.00/tonne premium).

The contract prices on the WCE are primarily influenced by supply and demand of canola seed in Canada, its quality characteristics, and the international supply and demand of canola seed and rapeseed. International factors, such as demand, supply and prices of competing commodities (e.g. soybeans), also have an effect on determining the price of canola seed on the WCE.

On May 19, 2004, the shareholders of WCE Holdings Inc., the parent corporation of Winnipeg Commodity Exchange Inc. approved the resolution necessary to transform the WCE trading platform from the traditional open outcry method to an electronic system. The resolution was approved by 81% of the ballots cast. Regulatory approval by the

Manitoba Securities Commission is pending. The WCE hopes to have the system in place and electronic trading is scheduled to begin by December 2004.

SOYBEANS

Canada exports about 25% of its soybeans

In 1985, domestic production of soybeans increased to the point of achieving self sufficiency, although Canada is still highly dependent on imports of soybean meal to meet domestic requirements for protein meals for animal feed.

Canada exports about 25% of its soybean crop, mostly to Europe, the US and Asia Pacific (Japan, Hong Kong, Singapore, Malaysia, etc.). Exports to Asia Pacific in particular, are Special Quality White Hilum Soybeans for human consumption through the soyfood market.

Soybeans are marketed through grain companies which have access to a distribution and storage infrastructure.

Canadian soybean prices follow Chicago soybean prices

Prices of soybeans and soybean products are set internationally. The Chicago Board of Trade (CBOT) operates the largest futures exchange that determines the price of soybeans worldwide. The international price for soybeans is affected by world events and international economic and

CANADA: SOYBEAN EXPORTS

calendar year	2002	2003	2004f
.....thousand tonnes.....			
Netherlands	34	137	200
Japan	100	163	175
Malaysia	107	115	150
United States	86	162	100
Iran	61	62	75
Other	288	232	300
Total	676	871	1,000

f: forecast, AAFC, July 2004

Source: Statistics Canada

agronomic factors as well as livestock production cycles.

FLAXSEED

Flaxseed is mostly exported to the European Union

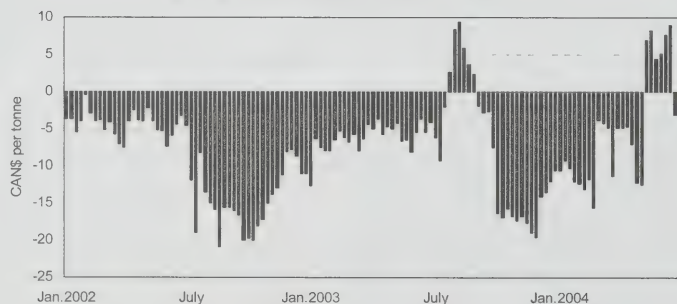
Most of Canada's flaxseed is grown for the export market, where it is crushed into oil and meal. Only a relatively small amount of seed is crushed domestically.

The marketing, pricing and transportation of flaxseed is very similar to canola. Many of the companies involved with other Canadian grains also deal in flaxseed.

The WCE is revising the flaxseed contract

Most of the price discovery for flaxseed now occurs in the cash market with the bulk of export selling conducted by 2 or 3 large exporters matched by a similar number of purchasing companies. On June 17, 2004, the WCE temporarily de-listed the December 2004 and March 2005 flaxseed futures contracts. The July and October 2004 flaxseed futures remained on the board for trading under the current contract

SOYBEAN BASIS: CHATHAM-CHICAGO CASH IN-STORE



Source: Chicago Board of Trade, Ontario Soybean Growers

CANADA: FLAXSEED EXPORTS

calendar year	2002	2003	2004f
.....thousand tonnes.....			
Belgium	541	520	525
United States	60	95	90
Japan	34	18	19
Netherlands	39	1	1
Other	29	51	50
Total	703	685	685

f: forecast, AAFC, July 2004

Source: Statistics Canada

terms. Under the proposed changes and beginning with the December contract, trading will be conducted in Canadian dollars and the US and Thunder Bay delivery regions will be removed. While significant changes were made to the contract in 2003, the enhancement had not attracted the expected market participation. The new contract is scheduled to be re-launched prior to January 1, 2005.

OTHER OILSEEDS

Sunflower Seed

Most of the sunflower seed produced in Canada is consumed by the confectionary industry, packaged as bird seed or exported to the US and EU. Its volume is much lower than other oilseeds and most of the acreage is grown under contract with processors and dealers. Exports of sunflower seed are about 30% of production, with the largest destination being the US.

Mustard Seed

Canada is the world's largest exporter of this commodity. Only a small percentage of mustard is crushed locally while some is ground to produce mustard flour. The majority of Canadian mustard seed is

exported to the US, Europe and Japan for use as a condiment. Bangladesh crushes mustard seed to produce a hot edible oil preferred in the Indian sub-continent.

In general mustard seed is marketed through grain companies with prices determined internationally. Mustard seed is mostly grown under contract to processors and/or dealers. Being a western Canadian crop, mustard seed is controlled by many of the same organizations and regulations affecting canola and flaxseed.

Safflower Seed

Most of the safflower seed currently produced in Canada is sold to the US for use in the higher paying birdseed market and to a lesser degree, in the domestic birdseed market.

OILSEED PRODUCTS

Canada is a net exporter of vegoils

In 2003, exports were 0.9 Mt and imports were 0.3 Mt for a positive trade balance of 0.6 Mt. Canola oil exports accounted for 92% of total vegoil exports in 2003, with 95% of canola oil exports being destined for the US, 1% for Singapore, and less than 1% for Malaysia, Taiwan, South Korea and Hong Kong, respectively. In 2003, Canada accounted for 66% of total world rapeseed/canola oil exports, compared with 5% for linseed oil exports and less than 1% for soybean oil.

The major market and growing market for canola oil is the US. In 1996, canola oil represented 8% of edible oil consumption in the U.S., up from 4.5% the year earlier. Increasing demand for canola oil is being shown by the Peoples Republic of China. The dominant market for canola meal is the US.

Canadian oil and meal prices are based on CBOT soyoil and soymeal prices

For canola oil and canola meal, marketing channels are generally similar to those described for the seed but the price discovery mechanism is based on the soyoil and soymeal contracts on the CBOT futures market. Since contracts on the CBOT trade in US dollars, industry must also hedge against fluctuation in the Canadian exchange rate. Since canola meal contains almost 70% of the protein level of soymeal, the price of canola meal is about 70% that of soymeal. This factor is considered in hedging canola meal contracts on the CBOT. Canadian soyoil and soymeal are mostly for domestic consumption, are marketed in a similar manner as canola oil and meal for domestic consumption and are priced based on CBOT prices.

Western Canada exports canola meal and imports soymeal

The trade in protein meals is important with Canada being a large net exporter of canola meal and a large net importer of soymeal, largely into western

CANADA: VEGOIL IMPORTS

calendar year	2002	2003	2004f
.....thousand tonnes.....			
Soybean oil	125	140	130
Cotton oil	36	36	35
Canola oil	32	29	30
Palm oil	12	26	30
Olive oil	25	25	25
Sunflower oil	28	18	20
Coconut oil	13	16	15
Palm kernel oil	8	10	10
Linseed oil	5	6	5
Other	46	41	50
Total	330	347	350

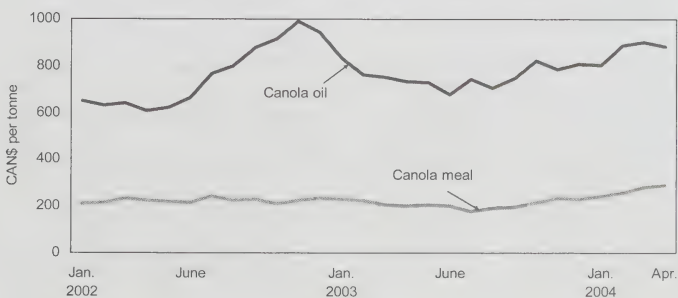
CANADA: VEGOIL EXPORTS

calendar year	2002	2003	2004f
.....thousand tonnes.....			
Canola oil	568	788	780
Soybean oil	39	37	35
Linseed oil	6	25	25
Other	27	24	30
Total	640	874	870

f: forecast, AAFC, July 2004

Source: Statistics Canada, COPA

CANADA: CANOLA OIL AND CANOLA MEAL PRICES



prices are in-store Vancouver
Source: Statistics Canada

Canada. In 2003, Canada exported slightly over \$250 million worth of protein meals. By far the largest segment was the export of canola meal which earned \$226 million in exports, followed distantly by soymeal at \$22 million and linseed meal at \$4 million. By contrast, for the 2003 calendar year Canada imported \$328 million worth of protein meal, mostly soymeal valued at \$325 million. As well \$2 million worth of canola meal was imported.

In 2003, exports of protein meal were 1.2 Mt while imports were 1.1 Mt (of which 98% were soymeal imports from the US), for a positive trade balance of 0.1 Mt. Canola meal exports accounted for 92% of total meal exports in 2003, with 90% of canola meal exports being destined for the US, 4% for Ireland, 2% to Taiwan and less than 1% for Singapore. Canada accounted for 46% of total world rapeseed/ canola meal exports in 2003, compared with 40% for linseed meal exports and less than 1% for soybean and sunflower meal exports.

Growth rate for margarine decreases

Margarine experienced a dramatic increase in demand during the 1970s much of it at the expense of more traditional dairy products such as butter.

Starting in the 1980s and continuing in the 1990s, the rate of growth for margarine decreased considerably due to a combination of factors: effective marketing strategies by the dairy industry, nutritional concerns on the part of consumers, an increase in demand for "natural" foods and an interest in gourmet cooking. In addition, provincial regulations, demanding the use of distinctive coloration for margarines, negatively impacted on margarine sales in the large markets of eastern Canada.

By 1997 all provinces, except Quebec, have foregone regulating margarine products and adopted national standards. This should be beneficial to oilseeds processors and to the soybean and soyoil sector especially.

ORGANIZATIONS

Canola Council of Canada (CCC)

The national industry organization for canola and canola products is the CCC. The Council is a national non-profit association, funded by members of the Canadian canola industry. Its mission is to enhance the Canadian canola industry's ability to profitably produce and supply seed, oil, and meal products that offer superior value to customers throughout the world.

Council members include canola growers, canola processors, canola exporters, grain handling companies, crop input suppliers, governments and food and feed manufacturers.

A list of organizations involved in the canola industry is currently available on the Council's website (www.canola-council.org).

The CCC is funded from three major sources:

- (1) a voluntary industry levy paid by Canadian crushers and exporters;
- (2) funds provided to specific programs from industry members of which one of the largest is the canola grower check-off commissions; and;
- (3) government programs, both federal and provincial.

The Council has a budget that ranges from two to six million dollars per year. Council funding is allocated to four areas of activity: agronomic extension (crop production), communications, utilization (market development and access) corporate affairs and finance and administration. The allocations are made with one purpose: to advance the canola industry in all its aspects. To accomplish their mission, the CCC undertakes a wide range of activities. On the international scene, the CCC: (a) assists industry members with incoming and outgoing missions (to develop new markets and to provide technical support to established clients); (b) assists industry members with technical seminars (such as, using canola meal in animal rations and trading aspects of canola products); (c) promotes the use of canola products by hosting domestic and international training activities; and (d) assists industry members with trade fairs, international conferences and other major international events to promote canola products.

To ensure continual improvement in canola products, the CCC conducts research activities including:

- (1) collaborating closely with the POS Pilot plant and other research institutions on applied research,
- (2) coordinating with industry members to provide the necessary research results to have canola and its products accepted by regulatory agencies, and
- (3) conducting market studies which assist in directing the above activities.

Through its crop production program, the CCC actively researches and promotes the introduction of better agronomic practices to increase productivity at the farm level. The CCC's success is due principally to the unique blend of industry, producers and governments and the close cooperation between these diverse interests.

The Canola Council has set four targets by 2007:

- (1) 7 Mt sustained annual production
- (2) 2 to 3 additional dedicated canola customers (i.e. Iran)

CANADA: VEGETABLE PROTEIN MEAL IMPORTS

<i>calendar year</i>	2002	2003	2004f
	.....thousand tonnes.....		
Soybean meal	1,077	1,043	1,000
Canola meal	14	10	10
Linseed meal	3	2	2
Sunflower meal	2	1	1
Other	15	12	12
Total	1,111	1,068	1,025

CANADA: VEGETABLE PROTEIN MEAL EXPORTS

<i>calendar year</i>	2002	2003	2004f
	.....thousand tonnes.....		
Canola meal	765	1,127	1,130
Soybean meal	107	72	65
Linseed meal	10	24	22
Other	17	7	8
Total	899	1,230	1,225

f: forecast, AAFC, July 2004

Source: Statistics Canada, COPA

- (3) Doubling of US consumption of canola oil
- (4) 1 new domestic market application (bio-diesel)

Meanwhile, Canada's canola industry is in the throws of a major change. It's estimated that within five years 50% of canola acres will be in speciality trait or functional varieties like low linolenic, low (5%) or zero (2% or less) saturated fat, higher omega-3, and others including nutraceuticals like high vitamin E level varieties. Generic or traditional canola will occupy the other half of the acres.

The introduction of new genetically modified organism (GMO) canola varieties is also on the rise. In Canada at present there are three main groups of herbicide-resistant canola: Roundup Ready and Liberty Link varieties which were produced using genetic modification and Clearfield varieties which were developed using a traditional plant breeding technique called mutagenesis.

New GM varieties recently introduced include GM Roundup Ready low linolenic/high oleic acid canola, GM Roundup Ready hybrids, and Clearfield-tolerate hybrids. In the wings are Roundup Ready hybrids that are low linolenic/high oleic acid.

Canadian Canola Growers Association

In each of the major producing provinces, there are canola growers organizations whose aims are to further the interests of the canola growers and the canola crop. These organizations are the Manitoba Canola Growers Association, the Saskatchewan Canola Growers Association (policy issues), Saskatchewan Canola Development Commission, the Alberta Canola Producers Commission and the Ontario Canola Growers Association. To nationally coordinate producer interests and to respond to their agronomic needs, these associations have formed the Canadian Canola Growers Association. All producer organizations are strong supporters and take key membership roles in the CCC.

Ontario Soybean Growers (OSG)

The soybean growers have shown a high degree of cohesion and organizational ability. In 1949, the Ontario Soybean Growers Marketing Board was formed, later changing its name to the current OSG. Today, the OSG represents 30,000 producers and negotiates certain aspects of the pricing arrangements for Ontario soybeans, while the handling, crushing and exporting of soybeans and soybean products are handled by grain companies. The OSG's objective is "to enhance the marketing of Ontario soybeans." The OSG's powers include: licensing producers, dealers and grain merchandisers and brokers; and establishing license fees and negotiating with dealers and handlers charges for handling, cleaning and drying.

Processors, crushers and brokers have agreed to pay to the producer the equivalent of the US soybean price adjusted for quality, transport, handling, insurance and monetary exchange. The OSG negotiates the factors involved in these activities. All trading for the domestic, export, and seed markets is done via grain companies at current prices based on the price establishment methodology agreed to with the OSG. Although the OSG has the power to purchase and sell soybeans, it has never exercised this right. Any changes to the operating policies of the OSG take place at the direction and with the agreement of soybean producers.

The OSG provides several important services. On behalf of the producers, the OSG gathers and disseminates market and price information. The OSG maintains marketing records from which it compiles an average price to the producers by crop year. It gathers the information from which federal and provincial stabilization payments are determined. The OSG promotes the use of soybeans and soy products domestically and in key markets abroad. Through the OSG, producer funds are channelled into various research projects, such as improved soybean varieties, or for new uses such as roasted soybeans in animal feed rations. Finally, the OSG is an active lobbyist of

the federal and provincial governments on a variety of issues of concern to the industry. A list of organizations involved in trading of soybeans and soyproducts is currently available on the OSG's website (www.soybean.on.ca)

Canadian Soybean Export Association (CSEA)

In the mid-1990s, a group of food quality soybean exporters from Ontario, Quebec, Manitoba and B.C. came together to form the CSEA. This Association deals with items of interest to Canadian exporters and explores existing and potential markets for premium priced high quality soybeans for soy foods production. This Association is made up of industry, government and OSG personnel.

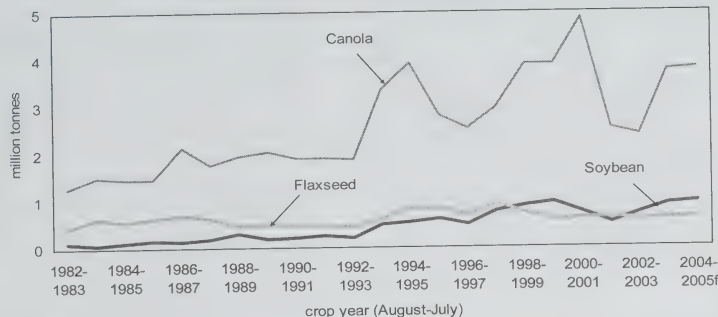
Flax Council of Canada (FCC)

The FCC is a single organization, representing the producers, grain handlers, shippers, exporters and end users of flax. Established in 1986 with full representation from all agricultural and industrial flax interests, the FCC promotes the advancement of flax and flax products. The FCC is located in Winnipeg, Manitoba.

The Council focuses the resources of the entire Canadian flax industry on flax market development, market and production research and crop promotion. Through its marketing initiatives and communication programs, the FCC creates worldwide market opportunities for flax. The FCC has a strong research and technical emphasis, supporting flax related research both with direct funding and indirectly as a coordinating forum.

The FCC's role is to identify opportunities and challenges facing flax and flax products; and to be a catalyst for the success of the Canadian flax industry.

CANADA: CANOLA, SOYBEAN AND FLAXSEED EXPORTS



f: forecast, AAFC, August 2004
Source: Statistics Canada

The Council's vision, through the year 2005, is to "Be a respected, market-focussed, research-oriented organization that promotes flax for industrial and nutritional (human and livestock) markets; and Solin for the vegetable oil market; develops markets that will demand the production from 5 million acres annually; strengthens Canada's position as the lowest-cost producer and most respected supplier of flax and flax products."

A list of organizations involved in the buying and selling of flaxseed and flaxseed products is currently available on the FCC's website (www.flaxcouncil.ca/sup_ind.htm).

Canadian Oilseed Processors Association (COPA)

The COPA is a non-profit industry association which represents all of the oilseed processing companies in Canada. COPA members include: ADM Agri Industries Company, Bunge Canada, Canbra Foods Ltd., and Cargill Limited.

The objectives of COPA include:

- to promote the processing of oilseeds in Canada and the further processing of oilseed products into refined oil, protein meal and other finished products;
- to provide a forum for the discussion and study of matters pertaining to the processing industry;

- to broaden the scope of both domestic and export market opportunities for Canadian value-added oilseed products;
- to make recommendations and presentations to governmental bodies and other authorities on all matters pertaining to the processing industry;
- to promote research on oilseed products;
- to maintain an authoritative centre of information;
- to inform the public of issues of concern in connection with the processing industry;
- to inform the public of the contribution of the Canadian oilseed crushing industry to the economy of Canada and
- to assist the members of the Association in maintaining effective relationships with all persons directly or indirectly involved in the oilseed processing industry in Canada.

Biodiesel Association of Canada

In 2003, the Biodiesel Association of Canada was formed to promote the development of a biodiesel industry in Canada. The Association's mission is to "promote the development of a Canadian biodiesel industry through efforts to support government policy and legislation, to create consumer awareness and acceptance of renewable fuels, and to contribute to the creation of common trade standards and product technical

specifications." A list of organizations involved in the production and marketing of biodiesel is currently available on the **Canadian Renewable Fuels Association's** website www.greenfuels.org/bioindex.html

Originally published in the July 2004 "Oilseeds Sector Profile" by Sergei Obolenski, Senior International Commodity Officer, Food Value Chain Bureau, AAFC

Some modifications have been made for this Bulletin.

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Canola Council of Canada, Canadian Oilseed Processors Association, Flax Council of Canada, Ontario Soybean Growers, Winnipeg Commodity Exchange, Market and Industry Services Branch (AAFC))

B. CASH PRICES AND REPLACEMENT VALUES

July 12, 2004

PRAIRIE GRAINS

Selected Points		Price Basis		This week 12-Jul-04	Last week 28-Jun-04	Month ago 14-Jun-04	Year ago 14-Jul-03
From: Thunder Bay(WCE) (2)	In-Store		Wheat	190.00	195.00	190.00	130.90
			Oat	134.00	145.60	145.25	156.00
(CBOT)			Barley	142.00	150.00	157.00	131.00
(Lethbridge)			Wheat	213.61	218.61	213.61	154.51
To: Bayport, ON (1)	In-store		Oat	N/A	N/A	N/A	N/A
			Barley	169.39	177.39	184.39	158.39
Montreal, QC (1)	In-store		Wheat	218.03	223.03	218.03	158.93
			Oat	N/A	N/A	N/A	N/A
			Barley	174.31	182.31	189.31	163.31
Moncton, NB	Truck via Halifax		Wheat	240.25	245.25	240.25	181.15
			Oat	N/A	N/A	N/A	N/A
			Barley	198.50	206.50	213.50	187.50
Truro, NS	Truck via Halifax		Wheat	234.22	239.22	234.22	175.12
			Oat	N/A	N/A	N/A	N/A
			Barley	196.00	204.00	211.00	185.00
Halifax, NS (1)	In-store		Wheat	225.28	230.28	225.28	166.18
			Oat	N/A	N/A	N/A	N/A
			Barley	182.30	190.30	197.30	171.30
Stephenville, NL	Track / Truck via Sydney		Wheat	288.63	293.63	288.63	229.53
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
Melfort, SK			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
	Track		Barley	N/A	N/A	N/A	N/A
Bayport, ON			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
	Track		Barley	N/A	N/A	N/A	N/A
Montreal, QC			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
	Track		Barley	N/A	N/A	N/A	N/A
Moncton, NB			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
	Track		Barley	N/A	N/A	N/A	N/A
Truro, NS			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney		Barley	N/A	N/A	N/A	N/A
Stephenville, NL			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A

1. Prices include ONE month of storage and interest charges
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
 Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

July 12, 2004

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	July 12, 2004	FOB	188.00	N/A	185.00	184.00		523.00	297.00	145.00		900.00	520.00					515.00
BC (4) (7)	July 5, 2004		190.00	N/A	163.00	184.00		510.50	297.00	145.00		900.00	520.00					515.00
Calgary	July 12, 2004	FOB	170.00	N/A	138.00	194.00		531.50			230.00	950.00	555.00					490.00
AB (4)	July 5, 2004		170.00	N/A	141.00	194.00		518.50			210.00	950.00	555.00					475.00
Saskatoon	July 12, 2004	FOB	175.00	151.50	135.00	180.00		532.00	N/A		250.00	N/A	555.00			181.67		530.00
SK (4)	July 5, 2004		175.00	151.50	135.00	180.00		518.50	N/A		230.00	N/A	555.00			186.67		525.00
Winnipeg	July 12, 2004	FOB	169.00	140.00	128.50	168.00		513.00	N/A		290.00	982.50	555.00					550.00
MB (4) (9)	July 5, 2004		170.00	140.00	130.00	168.00		502.50	N/A		290.00	982.50	555.00					550.00
Thunder Bay	July 12, 2004	In-Store	195.00	N/A	155.50													
ON (8)	July 5, 2004		198.25	N/A	151.50													
Lake Ports	July 12, 2004	On Board				136.87												
USA (3)	July 5, 2004	Vessel				139.40												
Bay Ports	July 12, 2004	In-Store	235.00	230.00	164.00													
ON (5)	July 5, 2004		235.00	230.00	164.00													
Chatham	July 12, 2004	Track				146.51												
ON (5)	July 5, 2004					155.10												
Toronto	July 12, 2004	N/A									305.00	N/A	500.00	515.00	131.00		265.00	540.00
ON (5)	July 5, 2004										305.00	N/A	490.00	515.00	131.00		265.00	530.00
Hamilton	July 12, 2004	N/A						531.31	299.00									
ON (5)	July 5, 2004							522.71	299.00									
Eastern	July 12, 2004	FOB				151.83												
ON (5)	July 5, 2004					153.50												
London	July 12, 2004	FOB																
ON (5)	July 5, 2004																	
Port Colborne	July 12, 2004	FOB								112.50				515.00	131.00			
ON (5)	July 5, 2004									102.50				515.00	131.00			
Cardinal	July 12, 2004	FOB												530.00	136.00			
ON (5)	July 5, 2004													530.00	136.00			
Montreal	July 12, 2004		224.00	160.00	190.00	162.00		548.26	323.45	109.33	305.00	850.00	485.00	515.00	131.00		267.00	540.00
QC (5)	July 5, 2004		224.00	160.00	190.00	163.00		517.65	306.23	108.33	305.00	850.00	480.00	530.00	136.00		267.00	540.00
Trois-Rivières	July 12, 2004	In-Store	225.00		187.00	155.00												
QC (5)	July 5, 2004		221.50		185.00	172.12												
St. Jean QC (2)	July 12, 2004	FOB	194.01	144.71	172.86	155.15		427.60										
St. Hyacinthe QC	July 5, 2004		190.01	144.69	171.11	157.96		427.60										
Quebec	July 12, 2004	In-Store	222.50	N/A	195.40	159.11		549.86										
QC (5)	July 5, 2004		221.83	N/A	197.09	160.82		512.65										
Truro	July 12, 2004	Track	256.89	230.00	219.84	196.72		559.26	347.08		357.05		525.00					540.00
NS (5)	July 5, 2004		256.89	230.00	219.84	198.39		524.81	347.08		357.05		515.00					540.00
Truro	July 12, 2004	Water		N/A	N/A	N/A												
NS (5)	July 5, 2004			N/A	N/A	N/A												
Halifax	July 12, 2004	& Truck		N/A	N/A	N/A												
NS (6)	July 5, 2004			N/A	N/A	N/A												
				N/A	N/A	N/A		591.13		297.50		1,000.00	N/A					
				N/A	N/A	N/A		541.05		297.50		1,000.00	N/A					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close **US\$1.00=CAN\$1.3209, closing date July 9, 2004**

Contact: Corinne Bruneau Statistical Clerk Telephone: (204) 983-4581 Fax: (204) 983-5524 Email: bruneau@agr.gc.ca **N/A = not available**

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn.

Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

July 26, 2004

PRAIRIE GRAINS

Selected Points		Price Basis		This week 26-Jul-04	Last week 12-Jul-04	Month ago 28-Jun-04	Year ago 28-Jul-03
From:	Thunder Bay(WCE) (2)	In-Store	Wheat	175.00	190.00	195.00	121.50
	(CBOT)		Oat	125.75	134.00	145.60	131.50
	(Lethbridge)		Barley	133.00	142.00	150.00	123.00
To:	Bayport, ON (1)	In-store	Wheat	198.61	213.61	218.61	145.11
			Oat	N/A	N/A	N/A	N/A
			Barley	160.39	169.39	177.39	150.39
	Montreal, QC (1)	In-store	Wheat	203.03	218.03	223.03	149.53
			Oat	N/A	N/A	N/A	N/A
			Barley	165.31	174.31	182.31	155.31
	Moncton, NB	Truck via Halifax	Wheat	225.25	240.25	245.25	171.75
			Oat	N/A	N/A	N/A	N/A
			Barley	189.50	198.50	206.50	179.50
	Truro, NS	Truck via Halifax	Wheat	219.22	234.22	239.22	165.72
			Oat	N/A	N/A	N/A	N/A
			Barley	187.00	196.00	204.00	177.00
	Halifax, NS (1)	In-store	Wheat	210.28	225.28	230.28	156.78
			Oat	N/A	N/A	N/A	N/A
			Barley	173.30	182.30	190.30	163.30
	Stephenville, NL	Track / Truck via Sydney	Wheat	273.63	288.63	293.63	220.13
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
	Melfort, SK		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Bayport, ON		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Montreal, QC		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Moncton, NB		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Truro, NS		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
	Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A

Selected Points		Price Basis		This week 26-Jul-04	Last week 12-Jul-04	Month ago 28-Jun-04	Year ago 28-Jul-03
From:	US Lake Port	On Board Vessel		126.83	130.85	139.40	126.29
To:	Montreal, QC (1)	In-store		145.87	149.89	158.44	145.33
From:	Chicago (Mi)	Track		116.42	123.13	136.79	118.67
To:	Montreal, QC	Track		145.28	151.99	165.65	147.53
From:	Chatham, ON	Track		139.89	148.18	155.10	141.13
To:	Montreal, QC	Track		163.76	172.05	178.97	164.93

Soymeal 48% Protein

From:	Hamilton, ON			378.09	447.31	522.71	294.76
To:	Montreal, QC	Track		402.42	471.64	547.04	319.09
	Moncton, NB	Track		421.17	490.39	565.79	337.84
	Truro, NS	Track		424.39	493.61	569.01	341.06
	Stephenville, NL	Track / Truck via Sydney		473.02	542.24	617.64	389.69

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

July 26, 2004

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	July 26, 2004	FOB	184.00	N/A	155.00	164.00			373.00	191.00	118.00		900.00	520.00					515.00
BC (4) (7)	July 19, 2004	FOB	187.00	N/A	158.00	184.00			468.00	297.00	145.00		900.00	520.00					515.00
Calgary	July 26, 2004	FOB	162.00	N/A	132.00	170.00			397.50				950.00	555.00					490.00
AB (4)	July 19, 2004	FOB	165.00	N/A	135.00	178.00			426.00	N/A			950.00	555.00					490.00
Saskatoon	July 26, 2004	FOB	165.00	132.00	118.00	153.00			400.00	N/A			950.00	555.00			163.33		530.00
SK (4)	July 19, 2004	FOB	170.00	135.00	122.50	164.00			428.50	N/A			1012.50	555.00			170.00		550.00
Winnipeg	July 26, 2004	FOB	169.00	140.00	127.50	141.00			381.00	N/A			982.50	555.00					550.00
MB (4) (9)	July 19, 2004	In-Store	169.00	140.00	127.50	147.00			409.50	N/A									
Thunder Bay	July 26, 2004	In-Store	180.00	N/A	145.00														
ON (8)	July 19, 2004	On Board	170.65	N/A	138.50														
Lake Ports	July 26, 2004	Vessel				126.83													
USA (3)	July 19, 2004	In-Store	218.00	230.00	164.00	130.85													
Bay Ports	July 26, 2004	In-Store	235.00	230.00	164.00														
ON	July 19, 2004	Track				139.89													
Chatham	July 26, 2004	N/A				148.18													
Toronto	July 19, 2004	N/A																	
ON (5)	July 26, 2004	N/A							378.09	209.00			305.00	N/A	500.00	126.00			545.00
Hamilton	July 19, 2004	FOB							447.31	235.00			305.00	N/A	500.00	126.00			545.00
ON	July 26, 2004	FOB																	
Eastern	July 19, 2004	FOB				134.50													
ON	July 26, 2004	FOB				147.50													
London	July 19, 2004	FOB																	
ON	July 26, 2004	FOB																	
Port Colborne	July 19, 2004	FOB																	
ON	July 26, 2004	FOB																	
Cardinal	July 19, 2004	FOB																	
ON	July 26, 2004	FOB																	
Montreal	July 19, 2004	In-Store	225.00	175.00	187.00	152.00			382.31	221.75	118.33	305.00	850.00	485.00	490.00	131.00			540.00
QC (5)	July 26, 2004	In-Store	223.00	160.00	193.00	159.00			498.55	224.68	114.33	305.00	850.00	485.00	490.00	131.00			540.00
Trois-Rivières	July 19, 2004	FOB	220.00		182.00	157.24													
QC	July 26, 2004	FOB	216.00		186.00	167.39													
St. Jean QC (2)	July 19, 2004	FOB	186.18	141.58	164.65	144.12			365.91										
St. Hyacinthe QC	July 26, 2004	In-Store	189.10	136.47	169.25	151.87			367.09										
Quebec	July 19, 2004	Track	211.67	N/A	189.23	147.73			386.29										
QC	July 26, 2004	Track	215.00	N/A	191.47	153.50			525.46										
Truro	July 19, 2004	Water	220.89			186.64			450.60	285.13									540.00
NS	July 26, 2004	Water & Truck	222.89			192.14			496.10	285.13									540.00
Truro	July 19, 2004	In-Store	N/A	N/A	N/A	N/A													
NS	July 26, 2004	In-Store	N/A	N/A	N/A	N/A													
Halifax	July 19, 2004	In-Store	N/A	N/A	N/A	N/A													
NS (6)	July 26, 2004	In-Store	N/A	N/A	N/A	N/A													
NS	July 19, 2004	In-Store	N/A	N/A	N/A	N/A													

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close **US\$1.00=CAN\$1.3217, closing date July 23, 2004**
Contact: Corinne Bruneau **Statistical Clerk** **Telephone: (204) 983-0581** **Fax: (204) 983-5524** **Email: bruneau@agr-gc.ca**
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.
 Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn.
 Soybean Meal 48% Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.
 (1) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

August 23, 2004

PRAIRIE GRAINS

Selected Points	Price Basis		This week 23-Aug-04	Last week 9-Aug-04	Month ago 26-Jul-04	Year ago 25-Aug-03
From: Thunder Bay(WCE) (2)	In-Store	Wheat	136.80	160.00	175.00	146.50
(CBOT)		Oat	141.75	132.00	125.75	140.00
(Lethbridge)		Barley	105.00	125.00	133.00	147.20
To: Bayport, ON (1)	In-store	Wheat	160.41	183.61	198.61	170.11
		Oat	N/A	N/A	N/A	N/A
		Barley	132.39	152.39	160.39	174.59
Montreal, QC (1)	In-store	Wheat	164.83	188.03	203.03	174.53
		Oat	N/A	N/A	N/A	N/A
		Barley	137.31	157.31	165.31	179.51
Moncton, NB	Truck via Halifax	Wheat	187.05	210.25	225.25	196.75
		Oat	N/A	N/A	N/A	N/A
		Barley	161.50	181.50	189.50	203.70
Truro, NS	Truck via Halifax	Wheat	181.02	204.22	219.22	190.72
		Oat	N/A	N/A	N/A	N/A
		Barley	159.00	179.00	187.00	201.20
Halifax, NS (1)	In-store	Wheat	172.08	195.28	210.28	181.78
		Oat	N/A	N/A	N/A	N/A
		Barley	145.30	165.30	173.30	187.50
Stephenville, NL	Track / Truck via Sydney	Wheat	235.43	258.63	273.63	245.13
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 23-Aug-04	Last week 9-Aug-04	Month ago 26-Jul-04	Year ago 25-Aug-03
Corn						
From: US Lake Port	On Board Vessel		130.40	123.63	124.67	141.40
To: Montreal, QC (1)	In-store		149.44	142.67	143.71	160.44
From: Chicago (Mi)	Track		119.16	112.80	114.21	134.74
To: Montreal, QC	Track		148.02	141.66	143.07	163.60
From: Chatham, ON	Track		145.18	136.93	138.94	149.89
To: Montreal, QC	Track		169.05	160.80	162.81	173.69

Soymeal 48% Protein

From: Hamilton, ON			381.40	348.22	320.55	327.27
To: Montreal, QC	Track		405.73	372.55	344.88	351.60
Moncton, NB	Track		424.48	391.30	363.63	370.35
Truro, NS	Track		427.70	394.52	366.85	373.57
Stephenville, NL	Track / Truck via Sydney		476.33	443.15	415.48	422.20

- Prices include ONE month of storage and interest charges
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS																		August 23, 2004					
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL					
Vancouver	August 23, 2004	FOB	167.00	N/A	133.00	172.50		360.00	198.00	115.00		850.00	520.00					455.00					
BC (4) (7)	August 16, 2004		167.00	N/A	133.00	166.00		327.00	182.00	118.00		850.00	520.00					475.00					
Calgary	August 23, 2004	FOB	135.00	N/A	110.00	180.00		363.00			200.00	950.00	555.00					430.00					
AB (4)	August 16, 2004		135.00	N/A	110.00	165.00		320.00			200.00	950.00	555.00					450.00					
Saskatoon	August 23, 2004	FOB	155.00	124.00	111.50	165.00		364.00	N/A		220.00	N/A	555.00		154.00			470.00					
SK (4)	August 16, 2004		165.00	132.00	118.00	150.00		321.50	N/A		220.00	N/A	555.00		155.00			490.00					
Winnipeg	August 23, 2004	FOB	153.50	140.00	117.00	145.00		345.00	N/A		290.00	1012.50	555.00					470.00					
MB (4) (9)	August 16, 2004		160.00	140.00	117.00	137.00		302.50	N/A		290.00	1012.50	555.00					470.00					
Thunder Bay	August 23, 2004	In-Store	136.50	N/A	110.95																		
ON (8)	August 16, 2004		158.00	N/A	129.40																		
Lake Ports	August 23, 2004	On Board				130.40																	
USA (3)	August 16, 2004	Vessel				123.63																	
Bay Ports	August 23, 2004	In-Store	218.00	230.00	164.00																		
ON	August 16, 2004		218.00	230.00	164.00																		
Chatham	August 23, 2004	Track				145.18																	
ON	August 16, 2004					136.93																	
Toronto	August 23, 2004	N/A					FOB				275.00	N/A	500.00	430.00	126.00		265.00	390.00					
ON (5)	August 16, 2004										275.00	N/A	500.00	430.00	126.00		265.00	390.00					
Hamilton	August 23, 2004	N/A						381.40	213.00														
ON	August 16, 2004							348.22	177.00														
Eastern	August 23, 2004	FOB				131.50																	
ON	August 16, 2004					129.00																	
London	August 23, 2004	FOB												430.00	126.00								
ON	August 16, 2004													430.00	126.00								
Port Colborne	August 23, 2004	FOB								108.00				430.00	126.00								
ON	August 16, 2004									110.50				430.00	126.00								
Cardinal	August 23, 2004	FOB												430.00	126.00								
ON	August 16, 2004													430.00	126.00								
Montreal	August 23, 2004		220.00	160.00	190.00	153.00		357.23	208.33	112.33	275.00	850.00	457.00	430.00	126.00		268.00	440.00					
QC (5)	August 16, 2004		220.00	160.00	190.00	147.00	FOB	333.56	194.15	116.67	275.00	850.00	463.00	430.00	126.00		268.00	450.00					
Trois-Rivières	August 23, 2004	In-Store	209.50		177.90	172.31																	
QC	August 16, 2004				178.80	172.18																	
St. Jean QC (2)	August 23, 2004	FOB	181.83	139.04	144.74	146.34		299.64															
St. Hyacinthe QC	August 16, 2004		189.57	133.31	152.93	141.18		320.36															
Quebec	August 23, 2004	In-Store	200.83	N/A	195.74	149.57		361.73															
QC	August 16, 2004		202.00	N/A	195.70	145.03		339.36															
Truro	August 23, 2004	Track	194.26		176.54	190.32		400.19	228.88		327.05		515.00					440.00					
NS	August 16, 2004		221.59		179.04	181.88	FOB	370.69	217.85		327.05		515.00					450.00					
Truro	August 23, 2004	Water	N/A	N/A	N/A	N/A																	
NS	August 16, 2004	& Truck	N/A	N/A	N/A	N/A																	
Halifax	August 23, 2004	In-Store	N/A	N/A	N/A	168.98		410.20		297.50		1,000.00	N/A										
NS (6)	August 16, 2004		N/A	N/A	N/A	165.23		363.73		297.50		1,000.00	N/A										

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: Corinne Bruneau Statistical Clerk Telephone: (204) 983-5581 Fax: (204) 983-5524 Email: bruneauc@agr.gc.ca
 N/A = not available

US\$1.00=CANS1.2977, closing date August 20, 2004

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn.

Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW



CANADA: GRAINS AND OILSEEDS OUTLOOK

November 12, 2004

For 2004-05, grain and oilseed production in Canada is forecast by AAFC to increase to 60.4 million tonnes (Mt), from 59.7 Mt in 2003-04. Statistics Canada's (STC) September production estimates have been used, except for flaxseed, corn and soybeans in western Canada. As the STC survey was taken before harvest started in most regions, and a portion of many crops remains unharvested, the production estimates remain tentative. Production in western Canada is expected to increase by 4% from 2003-04, to 45.9 Mt, while production in eastern Canada is forecast to fall by 6%, to 14.5 Mt. The harvest in western Canada is normally finished by this date, but is currently less than 95% complete, due to slow crop development and wet harvest conditions. It is possible that some crops may not be harvested until the spring of 2005. In general, crop quality is expected to be below normal, with a smaller percentage of each crop falling into the top grades. In eastern Canada, crop development has also been delayed by cool, wet conditions, but normal quality for corn and soybeans is expected.

Total supplies of grains and oilseeds in Canada for 2004-05 are forecast to increase due to higher production and larger carry-in stocks. Total exports are forecast to decrease marginally to about 25 Mt. Total domestic usage and carry-out stocks are also forecast to increase. World prices for all grains and oilseeds, except flaxseed, are expected to decline due to increased world supplies, with prices in Canada further pressured by the strong Canadian dollar. The major factors to watch for 2004-05 are crop quality in western Canada, the Canada/US exchange rate, import demand from China, EU export subsidies and seeding intentions in South America.

WHEAT (ex-durum)

For 2004-05, production is estimated to increase slightly, due to higher yields in western Canada. Supplies are forecast at 24.1 Mt, 3% above 2003-04 but about 1.2 Mt below the 10-year average. The proportion of the CWRS crop falling into the top grades has been significantly reduced by frost and moisture damage, and over a quarter of the crop is expected to be of feed quality. Total domestic use of wheat is therefore projected to increase, due to greater use of wheat for feed. Total exports are forecast to increase slightly, assuming that feed wheat surplus to domestic needs is delivered to the Canadian Wheat Board (CWB) for export rather than carried over. Carry-out stocks are forecast to decline slightly. The CWB Oct. Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$189/t, in-store Vancouver/St. Lawrence (I/S VC/SL), down by \$6/t from last month and \$16/t from last year. Protein premiums are expected to increase, due to lower protein content in both the Canadian and US spring wheat crops, with the PRO for No.1 CWRS 13.5% at \$203/t, \$7/t below 2003-04.

DURUM

Production is estimated to increase by almost 10%, due to higher yields. Supplies will be slightly above the 10-year average, rising by 10% to 6.5 Mt. Despite increased supplies, exports are expected to decline marginally, as world import demand for durum wheat is expected to remain weak due to large crops in the EU and North Africa. The percentage of the Canadian durum crop falling into the top grades is expected to be below normal, but supplies of high quality durum are expected to be adequate. Carry-out stocks are projected to increase by 17% to 2.1 Mt, vs the 10-year average of 1.7 Mt. The CWB PRO for No.1 CWAD 11.5% protein is down by \$7/t from Sept. at \$204/t, I/S VC/SL, \$21/t below 2003-04. The premium to No.1 CWRS 11.5% is projected at \$15/t, down from \$20/t in 2003-04.

BARLEY

Production is estimated to increase by 6% due to higher yields, despite lower seeded area. Supplies are expected to rise by 10% due to higher carry-in stocks. Feed use is projected to increase significantly, due to higher supplies in western Canada and increased shipments to eastern Canada. Exports of malting barley are expected to drop significantly as lower crop quality reduces the selection rates, although import demand from China is projected to recover. Exports of feed barley, for the crop year, are also expected to decrease from 2003-04 due to competitions from Europe and relatively low overseas prices, despite increased supplies and low prices in Canada. Carry-out stocks are forecast to increase sharply. Off-Board feed barley prices are expected to decrease by about \$25/t from 2003-04 to \$110/t, due to increased domestic supplies and lower US corn prices. The CWB Oct. PRO for No.1 CW Feed Barley for the first pool period (Aug-Jan) is \$112/t I/S VC/SL, vs. \$168/t for 2003-04. The PRO for Special Select Two Row designated barley is expected to decrease to \$181/t from \$200/t for 2003-04, due to higher supplies in Europe and Australia.

OATS

Production is estimated to fall by 5%, as higher yields have only partially offset lower harvested area. Supplies are expected to rise slightly due to higher carry-in stocks. Exports are expected to rise due to higher US imports. Due to lower US corn prices, oat prices are forecast to fall. US oats are expected to be priced at a premium of 25% to corn on a per tonne basis.

CORN

Production is estimated to fall by 15%, due to lower seeded area and yields. Supplies are projected to decrease by 8%, as larger carry-in stocks and higher imports only partially offset lower production. Corn imports are expected to rise, as a result of lower production in eastern Canada. The feed use of corn is forecast to decline significantly as feed wheat and barley replace some of the corn. Carry-out stocks are forecast to decline sharply. Chatham corn prices are forecast to drop to \$110/t, due mainly to record US corn production.

CANOLA

Production is estimated to increase by 3%, but supplies are expected to decrease slightly due to lower carry-in stocks. Crop quality is expected to be lower than normal. Domestic crush and exports are each forecast to drop by about 10%, due to competition from increased world oilseed and veg-oil supplies. Carry-out stocks are expected to be relatively low although higher than 2003-04. The average Vancouver cash price is forecast to decrease to \$320/t due to pressure from lower US soyoil prices, higher Canadian and world canola/rapeseed production and the stronger Canadian dollar.

FLAXSEED (excluding solin)

Production is estimated to decrease by 20% and supplies are also expected to decrease significantly due to lower production and carry-in stocks. Exports are forecast to decrease due to lower supplies and weaker EU demand. Carry-out stocks are expected to decrease and the average cash price is forecast to increase to \$450-500/t.

SOYBEANS

Production is estimated to increase by 29%, and supplies are expected to rise by 12% due to lower imports than 2003-04. Domestic use is expected to rise by 17%, and return to a level similar to previous years. Exports are projected to decline slightly due to competition from large US and South American supplies. The average Chatham price is forecast to fall to \$240/t, due to lower US soybean prices, related to higher world production, and the stronger Canadian dollar.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

November 12, 2004

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use (e)	Feed, Waste & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (f) \$/t
----- thousand metric tonnes -----											
Durum											
2002-2003	2,246	1.73	3,877	6	5,427	2,968	276	328	841	1,619	271.23
2003-2004	2,459	1.74	4,280	1	5,900	3,427	258	215	683	1,790	225 *
2004-2005f	2,094	2.23	4,671	1	6,461	3,400	260	501	961	2,100	204 **
Wheat Except Durum											
2002-2003	6,590	1.87	12,321	173	17,678	6,223	2,796	3,738	7,348	4,107	241.00
2003-2004	8,009	2.41	19,272	16	23,395	12,299	2,628	3,389	6,824	4,273	205 *
2004-2005f	7,812	2.53	19,791	20	24,084	12,600	2,650	3,795	7,284	4,200	189 **
All Wheat											
2002-2003	8,836	1.83	16,198	178	23,105	9,191	3,073	4,066	8,189	5,725	
2003-2004	10,467	2.25	23,552	18	29,295	15,726	2,886	3,604	7,507	6,062	
2004-2005f	9,907	2.47	24,462	21	30,545	16,000	2,910	4,296	8,245	6,300	
Barley											
2002-2003	3,348	2.24	7,489	259	9,796	945	175	6,755	7,376	1,475	171.88
2003-2004	4,446	2.77	12,328	36	13,838	2,444	311	8,555	9,288	2,106	135.80
2004-2005f	4,265	3.06	13,040	40	15,187	2,000	375	9,307	10,137	3,050	100-120
Corn											
2002-2003	1,283	7.01	8,999	3,904	13,958	308	2,385	10,121	12,540	1,111	145.34
2003-2004	1,226	7.82	9,587	2,063	12,761	283	2,415	8,907	11,335	1,143	137.18
2004-2005f	1,108	7.36	8,160	2,400	11,703	150	2,650	8,118	10,803	750	100-120
Oats											
2002-2003	1,379	2.11	2,911	21	3,294	1,190	132	1,255	1,580	524	193.91
2003-2004	1,575	2.34	3,691	19	4,234	1,559	156	1,548	1,875	800	136.65
2004-2005f	1,425	2.45	3,488	20	4,309	1,600	170	1,589	1,959	750	110-130
Rye											
2002-2003	77	1.74	134	2	185	52	38	43	103	30	139.67
2003-2004	147	2.22	327	1	358	50	47	193	258	50	104.44
2004-2005f	167	2.41	403	2	455	80	48	240	305	70	80-100
Mixed Grains											
2002-2003	132	2.72	359	0	359	0	0	359	359	0	
2003-2004	135	2.84	384	0	384	0	0	384	384	0	
2004-2005f	116	2.90	336	0	336	0	0	336	336	0	
Total Coarse Grains											
2002-2003	6,218	3.20	19,892	4,185	27,592	2,495	2,730	18,532	21,958	3,139	
2003-2004	7,529	3.50	26,317	2,119	31,575	4,336	2,930	19,588	23,140	4,099	
2004-2005f	7,081	3.59	25,428	2,462	31,989	3,830	3,243	19,589	23,539	4,620	
Canola											
2002-2003	3,262	1.35	4,407	239	5,896	2,394	2,225	343	2,607	894	415.09
2003-2004	4,689	1.44	6,771	242	7,907	3,754	3,390	110	3,541	612	387.04
2004-2005f	4,939	1.42	7,001	220	7,833	3,400	3,000	586	3,632	800	300-340
Flaxseed											
2002-2003	633	1.07	679	27	892	577	n/a	n/a	186	128	401.97
2003-2004	728	1.04	754	22	905	609	n/a	n/a	199	97	382.13
2004-2005f ^{1/}	646	0.93	600	20	717	500	n/a	n/a	167	50	450-500
Soybeans											
2002-2003	1,024	2.28	2,336	651	3,159	723	1,763	419	2,291	145	307.55
2003-2004	1,047	2.17	2,268	586	2,999	905	1,500	325	1,954	140	395.04
2004-2005f	1,230	2.37	2,920	300	3,360	850	1,750	480	2,330	180	220-260
Total Oilseeds											
2002-2003	4,919	1.51	7,422	917	9,946	3,695	n/a	n/a	5,084	1,167	
2003-2004	6,464	1.52	9,794	850	11,811	5,268	n/a	n/a	5,694	849	
2004-2005f	6,815	1.54	10,521	540	11,909	4,750	n/a	n/a	6,129	1,030	
Total Grains And Oilseeds											
2002-2003	19,973	2.18	43,511	5,280	60,643	15,381	n/a	n/a	35,231	10,032	
2003-2004	24,461	2.44	59,663	2,986	72,681	25,330	n/a	n/a	36,341	11,010	
2004-2005f	23,802	2.54	60,411	3,023	74,443	24,580	n/a	n/a	37,913	11,950	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Includes seed use.

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver); Barley (No. 1 feed, WCE, cash, I/S Lethbridge); Corn (No.2 CE, cash, I/S Chatham); Oats (US No. 2 Heavy, CBOT nearby futures); Rye (No.2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* September 2004 CWB Pool Return Outlook (PRO); ** October CWB PRO

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

f: forecast - Agriculture and Agri-Food Canada November 12, 2004

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

November 12, 2004

For 2004-05, total Canadian pulse and special crops production is forecast to increase by 40%, from 2003-04, to 5.15 million tonnes (Mt), based on Statistics Canada's (STC) September production estimates and AAFc forecasts where STC estimates were not available. Total pulse and special crops supply is expected to increase by only 31% to 5.72 Mt, because of lower carry-in stocks. Although exports and domestic use are forecast to increase due to the higher supply, strong demand and lower prices for most crops, carry-out stocks are also expected to increase. Average prices, over all grades and markets, are forecast to increase from 2003-04 for dry beans, chickpeas and sunflower seed, decrease for dry peas, lentils, mustard seed and canary seed, and be the same for buckwheat.

Harvesting of pulse and special crops has been behind normal, but is nearing completion with the exception of sunflower seed, for which the harvest is less than half complete. Average yields were near trend for most crops, but abandonment was higher than normal. Yields were much lower than trend and abandonment much higher than normal for dry beans in Manitoba and sunflower seed in Manitoba and Saskatchewan, due to late seeding, below normal temperatures and damage from excessive rainfall, frost and disease. Average quality is lower than normal due to damage from frost and wet weather. The main factors to watch are exchange rates, final production estimates for Canada and the US, and crop and harvest conditions in other major producing countries, especially Australia and India.

DRY PEAS

For 2004-05, production and supply are estimated to increase, due to a 10% increase in seeded area and higher yields.

Production increased for yellow, green and other types. World supply is expected to increase by 14% to 12.5 Mt, mainly because of higher production in Canada, EU and US, but this is expected to be mostly offset by increased use in both the feed and food markets. Canadian exports and domestic use are forecast to increase due to the higher supply and lower prices. For exports, most of the increase is expected to be to the EU and Asia. For domestic use, most of the increase is expected for feeding hogs. Carry-out stocks are forecast to increase with a stocks-to-use (s/u) ratio of 20%. The average price, over all types, grades and markets, is forecast to decrease due to the higher supply.

LENTILS

Production and supply are estimated to increase, due to a 36% increase in seeded area and higher yields. Production increased for large, medium and small green, red and other types. World supply is expected to increase by 11% to 3.52 Mt, due mainly to higher production in Canada. Canadian exports are expected to increase, as Canada's share of world supply increases and prices decrease. Carry-out stocks are forecast to increase, with a s/u of 18%. The average price, over all types and grades, is forecast to decrease due to the higher supply and lower average quality.

DRY BEANS

Production and supply are forecast to decrease sharply, due mainly to crop damage in Manitoba, the main producing province. Production and supply are expected to decrease for all classes, white pea, pinto, black, red kidney, cranberry, Great Northern, small red and pink beans. US production is forecast to decrease by 17% to 830,000 t, due to a lower harvested area and lower yields. Total US and

Canadian supply of nearly all major classes of dry beans is forecast to fall. Canadian exports are forecast to decrease sharply, due to the lower supply, and carry-out stocks are expected to decrease to a low level. The average price, over all classes and grades, is forecast to rise sharply due to the lower supply.

CHICKPEAS

Production is forecast to decrease, due to an 8% decrease in seeded area and higher abandonment. Production is expected to increase slightly for the large and small kabuli types, but decrease for the desi type. However, supply is forecast to decrease for all types due to lower carry-in stocks. World supply is expected to decrease by 5% to 8.3 Mt. Canadian exports are forecast to decrease due to lower supply. Carry-out stocks are forecast to decrease to a low level. The average price, over all types, sizes and grades, is forecast to increase due to the lower supply.

MUSTARD SEED

Production is estimated to increase as a small decrease in seeded area is more than offset by higher yields. Production is expected to increase for the oriental and yellow types and remain stable for the brown type. However, supply is forecast to increase for all types due to higher carry-in stocks. A significant portion of the carry-in stocks were low quality seed. In the US, production of the yellow type is expected to decrease. Canadian exports are expected to increase because of stronger demand and lower prices. Carry-out stocks are forecast to increase, with a s/u ratio of 53%. The average price, over all types and grades, is forecast to decrease due to the higher supply.

CANARY SEED

Production and supply are estimated to increase, due to a 29% increase in seeded area, higher yields and higher carry-in stocks. World supply is forecast to increase

by 43% to 405,000 t. Canadian exports are expected to increase because of higher supply and lower prices. Carry-out stocks are forecast to increase, with a stocks-to-use ratio of 57%. The average price is forecast to decrease because of the higher supply.

SUNFLOWER SEED

Production and supply are forecast to fall sharply, due to a 28% decrease in seeded area and crop damage in Manitoba and Saskatchewan, the main producing provinces. Production is expected to decrease for both types, confectionary and oilseed. In the US, harvested area, production and supply are expected to decrease for both types. World supply is expected to decrease slightly to 27.4 Mt. Canadian exports and domestic use are expected to decrease sharply due to the lower supply. The average price, over both types and all grades, is forecast to increase due to the lower supply.

BUCKWHEAT

Production is forecast to remain stable, as an increase in seeded area is offset by higher abandonment, while supply decreases due to lower carry-in stocks. World supply is forecast to increase slightly to 2.2 Mt. Canadian exports are forecast to increase, while carry-out stocks decrease to a negligible level. The average price, over all grades and markets, is forecast to be the same as in 2003-04, as lower Canadian supply offsets pressure from higher world supply.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

November 12, 2004

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----									
Dry Peas									
2000-2001	1,220	2.35	2,864	12	3,276	2,196	885	195	138
2001-2002	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004	1,271	1.67	2,124	24	2,458	1,279	974	205	175
2004-2005f	1,384	2.39	3,308	20	3,533	1,800	1,133	600	120-150
Lentils									
2000-2001	688	1.33	914	5	999	475	268	256	295
2001-2002	664	0.85	566	6	828	478	219	131	320
2002-2003	387	0.91	354	9	494	320	119	55	390
2003-2004	536	0.97	520	5	580	368	174	38	420
2004-2005f	719	1.30	938	5	981	550	281	150	305-335
Dry Beans									
2000-2001	162	1.65	268	40	348	227	71	50	465
2001-2002	175	1.70	298	42	390	263	97	30	725
2002-2003	219	1.89	414	40	484	297	117	70	445
2003-2004	167	2.13	356	31	457	344	83	30	495
2004-2005f	140	1.50	210	35	275	195	70	10	630-660
Chickpeas									
2000-2001	283	1.37	388	5	408	179	199	30	410
2001-2002	467	0.97	455	12	497	146	211	140	380
2002-2003	154	1.01	156	9	305	105	140	60	300
2003-2004	63	1.08	68	2	130	74	36	20	330
2004-2005f	47	1.06	50	5	75	35	35	5	360-390
Mustard Seed									
2000-2001	208	0.97	202	1	318	151	62	105	280
2001-2002	158	0.66	105	3	213	171	n/a	33	685
2002-2003	255	0.60	154	9	196	114	22	60	595
2003-2004	328	0.69	226	2	288	121	75	92	390
2004-2005f	313	0.90	281	2	375	160	85	130	310-340
Canary Seed									
2000-2001	164	1.04	171	0	261	170	21	70	265
2001-2002	163	0.70	114	0	184	134	20	30	660
2002-2003	227	0.78	176	0	206	164	22	20	575
2003-2004	243	0.93	226	0	246	170	n/a	67	345
2004-2005f	294	0.99	291	0	358	180	48	130	230-260
Sunflower Seed									
2000-2001	69	1.72	119	18	178	77	55	46	320
2001-2002	67	1.55	104	29	179	92	65	22	355
2002-2003	95	1.65	157	21	200	105	60	35	440
2003-2004	115	1.30	150	16	201	96	80	25	405
2004-2005f	62	0.97	60	25	110	50	55	5	495-525
Buckwheat									
2000-2001	15	0.93	14	1	16	9	7	0	305
2001-2002	14	1.14	16	1	17	6	8	3	325
2002-2003	12	1.00	12	1	16	6	7	3	340
2003-2004	9	1.11	10	1	14	5	7	2	355
2004-2005f	9	1.11	10	1	13	6	7	0	340-370
Total Pulse And Special Crops (c)									
2000-2001	2,809	1.76	4,940	82	5,804	3,484	1,568	752	
2001-2002	2,993	1.23	3,681	120	4,553	2,671	1,218	664	
2002-2003	2,399	1.16	2,788	130	3,582	1,739	1,230	613	
2003-2004	2,732	1.35	3,680	81	4,374	2,457	1,438	479	
2004-2005f	2,968	1.73	5,148	93	5,720	2,976	1,714	1,030	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chickpeas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, November 12, 2004

n/a: Total domestic use is calculated residually. Based on current data on exports and carry-out stocks, it appears that Statistics Canada's production estimate may be low or carry-out stocks high resulting in a very low residual.

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	November 29, 2004			
														GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA
Vancouver	November 29, 2004	FOB	120.00	N/A	127.00	135.00		243.00	160.00	110.00		837.50	500.00				325.00
BC (4) (7)	November 29, 2004	FOB	122.00	N/A	127.00	135.00		248.50	160.00	110.00		837.50	500.00				325.00
Calgary	November 29, 2004	FOB	102.00	N/A	112.00	140.00		240.50			75.00	975.00	535.00				300.00
AB (4)	November 29, 2004	FOB	105.00	N/A	112.00	143.00		245.50			75.00	975.00	535.00				300.00
Saskatoon	November 29, 2004	FOB	82.00	119.50	90.00	132.00		242.50	N/A		100.00	N/A	535.00		113.33		350.00
SK (4)	November 29, 2004	FOB	83.00	116.50	91.50	134.00		247.50	N/A		100.00	N/A	535.00		114.67		350.00
Winnipeg	November 29, 2004	FOB	127.50	140.00	111.00	113.00		219.50	N/A		290.00	972.50	515.00				315.00
MB (4) (9)	November 29, 2004	FOB	127.50	140.00	111.00	114.00		229.00	N/A		290.00	997.50	515.00				325.00
Thunder Bay	November 29, 2004	In-Store	100.50	N/A	114.00												
ON (8)	November 29, 2004		100.00	N/A	114.45												
Lake Ports	November 29, 2004	On Board				95.48											
USA (3)	November 29, 2004	Vessel				97.22											
Bay Ports	November 29, 2004	In-Store	137.00	205.00	150.00												
ON	November 29, 2004		137.00	205.00	150.00												
Chatham	November 29, 2004	Track				104.48											
ON	November 29, 2004					103.67											
Toronto	November 29, 2004	N/A					FOB										
ON (5)	November 29, 2004																
Hamilton	November 29, 2004	N/A						242.73	#N/A		168.00	N/A	460.00	425.00	114.00		300.00
ON	November 29, 2004							237.21	#N/A		168.00	N/A	460.00	425.00	114.00		300.00
Eastern	November 29, 2004	FOB				98.00											
ON	November 29, 2004					96.58											
London	November 29, 2004	FOB															
ON	November 29, 2004																
Port Colborne	November 29, 2004	FOB								58.50							
ON	November 29, 2004									57.50							
Cardinal	November 29, 2004	FOB															
ON	November 29, 2004																
Montreal	November 29, 2004		127.00	150.00	152.00	124.00		243.05	181.70	81.67	174.00	850.00	397.00	425.00	114.00		300.00
QC (5)	November 29, 2004		134.00	155.00	152.00	127.00	FOB	241.34	178.05	86.67	174.00	850.00	397.00	425.00	114.00		300.00
Trois-Rivières	November 29, 2004	In-Store	130.20		152.00	128.73											
QC	November 29, 2004		137.10		151.90	127.65											
St. Jean QC (2)	November 29, 2004	FOB	143.93	127.40	145.15	119.95		251.71									
St. Hyacinthe QC	November 29, 2004	FOB	145.85	126.93	145.13	118.66		250.95									
Quebec	November 29, 2004	In-Store	126.13	N/A	166.58	116.72		241.63									
QC	November 29, 2004		133.40	N/A	166.88	121.97		240.24									
Truro	November 29, 2004	Track	155.86	169.04	168.23	169.04		285.72	210.03		223.55		505.00				300.00
NS	November 29, 2004		155.03	N/A	165.33	167.69	FOB	280.76	193.49		223.55		505.00				300.00
Truro	November 29, 2004	Water	N/A	N/A	N/A	N/A											
NS	November 29, 2004	& Truck	N/A	N/A	N/A	N/A											
Halifax	November 29, 2004	In-Store	N/A	N/A	N/A	N/A		290.50									
NS (6)	November 29, 2004		N/A	N/A	N/A	N/A		286.00		297.50		1,000.00	N/A				

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: Corinne Bruneau Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: bruneau@agr.gc.ca
 N/A = not available
 US\$1.00=CANS\$1.1774, closing date November 26, 2004

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
 Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

November 29, 2004

PRAIRIE GRAINS

Selected Points		Price Basis		This week 29-Nov-04	Last week 15-Nov-04	Month ago 1-Nov-04	Year ago 1-Dec-03
From: Thunder Bay(WCE) (2)		In-Store	Wheat	82.20	97.00	102.00	160.00
	(CBOT)		Oat	149.60	146.60	142.60	134.50
	(Lethbridge)		Barley	114.00	115.00	114.00	136.00
To: Bayport, ON (1)		In-store	Wheat	105.81	120.61	125.61	183.61
			Oat	N/A	N/A	N/A	N/A
			Barley	141.39	142.39	141.39	163.39
Montreal, QC (1)		In-store	Wheat	110.23	125.03	130.03	188.03
			Oat	N/A	N/A	N/A	N/A
			Barley	146.31	147.31	146.31	168.31
Moncton, NB		Truck via Halifax	Wheat	132.45	147.25	152.25	210.25
			Oat	N/A	N/A	N/A	N/A
			Barley	170.50	171.50	170.50	192.50
Truro, NS		Truck via Halifax	Wheat	126.42	141.22	146.22	204.22
			Oat	N/A	N/A	N/A	N/A
			Barley	168.00	169.00	168.00	190.00
Halifax, NS (1)		In-store	Wheat	117.48	132.28	137.28	195.28
			Oat	N/A	N/A	N/A	N/A
			Barley	154.30	155.30	154.30	176.30
Stephenville, NL		Track / Truck via Sydney	Wheat	180.83	195.63	200.63	258.63
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
Melfort, SK			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
Truro, NS			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A

Selected Points		Price Basis		This week 29-Nov-04	Last week 15-Nov-04	Month ago 1-Nov-04	Year ago 1-Dec-03
Corn							
From: US Lake Port		On Board Vessel		95.48	97.22	96.94	130.20
To: Montreal, QC (1)		In-store		114.52	116.26	115.98	149.24
From: Chicago (Mi)		Track		79.73	80.33	79.96	130.20
To: Montreal, QC		Track		108.59	109.19	108.82	159.06
From: Chatham, ON		Track		104.48	103.67	109.04	133.56
To: Montreal, QC		Track		128.35	127.54	132.91	157.43

Soymeal 48% Protein							
From: Hamilton, ON				242.73	237.21	229.28	319.40
To: Montreal, QC		Track		267.06	261.54	253.61	343.73
Moncton, NB		Track		285.81	280.29	272.36	362.48
Truro, NS		Track		289.03	283.51	275.58	365.70
Stephenville, NL		Track / Truck via Sydney		337.66	332.14	324.21	414.33

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)										November 15, 2004									
			WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL				
Vancouver BC (4) (7)	November 15, 2004	FOB	122.00	N/A	127.00	140.50		237.50	156.00	108.00		837.50	500.00					325.00				
Calgary AB (4)	November 8, 2004	FOB	122.00	N/A	117.00	137.00		235.00	145.50	108.00		837.50	510.00					350.00				
Saskatoon SK (4)	November 15, 2004	FOB	105.00	N/A	112.00	141.00		233.50			75.00	975.00	535.00					300.00				
Winnipeg MB (4) (9)	November 8, 2004	FOB	105.00	N/A	112.00	146.00		234.50			75.00	975.00	545.00					325.00				
Thunder Bay ON (8)	November 15, 2004	In-Store	80.00	112.50	89.50	135.00		236.50	N/A		100.00	N/A	535.00		119.00			350.00				
Lake Ports USA (3)	November 8, 2004	On Board Vessel	82.50	108.00	89.00	133.00		237.50	N/A		100.00	N/A	545.00		110.00			375.00				
Bay Ports ON	November 15, 2004	In-Store	129.00	140.00	112.00	118.00		218.50	N/A		290.00	997.50	515.00					325.00				
Chatham ON	November 8, 2004	Track	128.50	140.00	111.00	118.00		219.50	N/A		290.00	997.50	535.00					350.00				
Toronto ON (5)	November 15, 2004	N/A	98.50	N/A	113.00																	
Hamilton ON	November 8, 2004	N/A	99.00	N/A	109.75																	
Eastern ON	November 15, 2004	FOB	137.00	205.00	150.00			226.74	#N/A		174.00	N/A	460.00	425.00	114.00		285.00	300.00				
London ON	November 8, 2004	FOB	137.00	205.00	150.00			229.28	#N/A		180.00	N/A	460.00	425.00	114.00		265.00	320.00				
Port Colborne ON	November 15, 2004	FOB																				
Cardinal ON	November 8, 2004	FOB																				
Montreal QC (5)	November 15, 2004	Q	134.20	150.00	147.00	128.00		228.96	168.25	86.67	174.00	850.00	397.00	425.00	114.00		270.00	300.00				
Trois-Rivières QC	November 8, 2004	In-Store	132.50	150.00	143.00	123.00	FOB	231.24	166.25	95.00	180.00	850.00	397.00	425.00	114.00		270.00	300.00				
St. Jean QC (2)	November 15, 2004	FOB	137.20		147.00	125.98																
St. Hyacinthe QC	November 8, 2004	In-Store	134.00		147.00	125.78																
Quebec QC	November 15, 2004	Track	149.23	128.63	144.40	120.54		247.31														
Truro NS	November 8, 2004	Water	147.51	127.33	162.84	118.70		239.33														
Halifax NS (6)	November 15, 2004	In-Store	133.13	N/A	162.84	122.53		225.56														
	November 8, 2004	Track	131.63	N/A	160.59	119.22		227.24														
	November 15, 2004	Track	155.03		165.33	166.69		280.16	193.49		231.50		505.00					300.00				
	November 8, 2004	Water	161.66		181.19	169.85	FOB	286.43	202.64		234.55		505.00					300.00				
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 8, 2004	In-Store	N/A	N/A	N/A	N/A																
	November 15, 2004	In-Store	N/A	N/A	N/A</																	

B. CASH PRICES AND REPLACEMENT VALUES

November 15, 2004

PRAIRIE GRAINS

Selected Points		Price Basis		This week 15-Nov-04	Last week 1-Nov-04	Month ago 18-Oct-04	Year ago 17-Nov-03
From:	Thunder Bay(WCE) (2)	In-Store	Wheat	97.00	102.00	103.00	152.00
	(CBOT)		Oat	146.60	142.60	143.20	143.50
	(Lethbridge)		Barley	115.00	114.00	111.00	135.00
To:	Bayport, ON (1)	In-store	Wheat	120.61	125.61	126.61	175.61
			Oat	N/A	N/A	N/A	N/A
			Barley	142.39	141.39	138.39	162.39
	Montreal, QC (1)	In-store	Wheat	125.03	130.03	131.03	180.03
			Oat	N/A	N/A	N/A	N/A
			Barley	147.31	146.31	143.31	167.31
	Moncton, NB	Truck via Halifax	Wheat	147.25	152.25	153.25	202.25
			Oat	N/A	N/A	N/A	N/A
			Barley	171.50	170.50	167.50	191.50
	Truro, NS	Truck via Halifax	Wheat	141.22	146.22	147.22	196.22
			Oat	N/A	N/A	N/A	N/A
			Barley	169.00	168.00	165.00	189.00
	Halifax, NS (1)	In-store	Wheat	132.28	137.28	138.28	187.28
			Oat	N/A	N/A	N/A	N/A
			Barley	155.30	154.30	151.30	175.30
	Stephenville, NL	Track / Truck via Sydney	Wheat	195.63	200.63	201.63	250.63
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
	Melfort, SK		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Bayport, ON		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Montreal, QC		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Moncton, NB		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Truro, NS		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
	Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A

Selected Points		Price Basis		This week 15-Nov-04	Last week 1-Nov-04	Month ago 18-Oct-04	Year ago 17-Nov-03
Corn							
From:	US Lake Port	On Board Vessel		96.71	96.94	100.76	125.50
To:	Montreal, QC (1)	In-store		115.75	115.98	119.80	144.54
From:	Chicago (Mi)	Track		80.75	79.96	110.50	126.52
To:	Montreal, QC	Track		109.61	108.82	139.36	155.38
From:	Chatham, ON	Track		103.77	109.04	111.67	132.28
To:	Montreal, QC	Track		127.64	132.91	135.54	156.15

Soymeal 48% Protein							
From:	Hamilton, ON			226.74	229.28	238.54	347.70
To:	Montreal, QC	Track		251.07	253.61	262.87	372.03
	Moncton, NB	Track		269.82	272.36	281.62	390.78
	Truro, NS	Track		273.04	275.58	284.84	394.00
	Stephenville, NL	Track / Truck via Sydney		321.67	324.21	333.47	442.63

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

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Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

November 1, 2004

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN	CANOLA	MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	November 1, 2004	FOB	128.00	N/A	127.00	138.00		241.50	149.00	105.00		837.50	510.00					375.00
BC	October 25, 2004		128.00	N/A	127.00	138.00		256.75	156.00	105.00		862.50	520.00					395.00
Calgary	November 1, 2004	FOB	100.00	N/A	107.00	153.00		235.00			75.00	975.00	555.00					350.00
AB	October 25, 2004		100.00	N/A	107.00	150.00		243.50	N/A		75.00	N/A	555.00			108.33		390.00
Saskatoon	November 1, 2004	FOB	82.50	108.00	89.00	135.00		238.00	N/A		100.00	N/A	545.00			108.33		410.00
SK	October 25, 2004		82.50	108.00	89.00	135.00		245.00	N/A		100.00	N/A	545.00			108.33		370.00
Winnipeg	November 1, 2004	FOB	127.50	140.00	110.00	120.00		220.00	N/A		290.00	1037.50	545.00					380.00
MB	October 25, 2004		127.50	140.00	110.00	127.00		226.50	N/A		290.00	1037.50	555.00					
Thunder Bay	November 1, 2004	In-Store	102.00	N/A	109.50													
ON	October 25, 2004		103.75	N/A	114.00													
Lake Ports	November 1, 2004	On Board				99.72												
USA	October 25, 2004	Vessel				100.76												
Bay Ports	November 1, 2004	In-Store	137.00	235.00	150.00													
ON	October 25, 2004		137.00	235.00	150.00													
Chatham	November 1, 2004	Track				111.29												
ON	October 25, 2004					111.67												
Toronto	November 1, 2004	N/A					FOB											
ON	October 25, 2004																	
Hamilton	November 1, 2004	N/A						237.99	#N/A									
ON	October 25, 2004							238.54	#N/A									
Eastern	November 1, 2004	FOB				111.00												
ON	October 25, 2004					107.46												
London	November 1, 2004	FOB																
ON	October 25, 2004																	
Port Colborne	November 1, 2004	FOB																
ON	October 25, 2004																	
Cardinal	November 1, 2004	FOB																
ON	October 25, 2004		143.00	150.00	144.00	126.00		238.58	184.50	93.33	180.00	850.00	397.00	425.00	114.00		270.00	340.00
Montreal	November 1, 2004		143.00	150.00	146.00	127.00	FOB	242.03	186.00	96.67	185.00	850.00	402.00	425.00	114.00		270.00	360.00
QC	October 25, 2004		135.40		147.00	128.93												
Trois-Rivières	November 1, 2004	In-Store	142.70		148.50	130.60												
QC	October 25, 2004		152.23	130.96	140.78	121.41		248.53										
St. Jean QC	November 1, 2004	FOB	153.06	130.78	140.78	121.41		251.90										
(2)	October 25, 2004		153.06	130.78	140.78	121.41		237.57										
St. Hyacinthe QC	November 1, 2004	In-Store	133.60	N/A	160.59	121.76		241.54										
Quebec	October 25, 2004		144.13	N/A	163.96	121.10		289.58	202.64									
QC	November 1, 2004	Track	162.66		181.19	170.80		289.13	202.64									
Truro	October 25, 2004		162.33		181.19	169.79	FOB											
NS	November 1, 2004	Water	N/A	N/A	N/A	N/A												
Truro	November 1, 2004	Truck	N/A	N/A	N/A	N/A												
NS	October 25, 2004	In-Store	N/A	N/A	N/A	N/A		308.20		297.50		1,000.00	N/A					
Halifax	November 1, 2004		N/A	N/A	N/A	N/A				297.50		1,000.00	N/A					
NS	October 25, 2004		N/A	N/A	N/A	N/A		303.00		297.50		1,000.00	N/A					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close USS1.00=CANS1.2207, closing date October 29, 2004
 Contact: Corinne Bruneau Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: bruneau@agr.gc.ca
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.
 Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn, Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWSR (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

November 1, 2004

PRAIRIE GRAINS

Selected Points		Price Basis		This week 1-Nov-04	Last week 18-Oct-04	Month ago 4-Oct-04	Year ago 3-Nov-03
From:	Thunder Bay(WCE) (2)	In-Store	Wheat	102.00	103.00	104.00	155.00
	(CBOT)		Oat	142.60	143.20	142.60	141.50
	(Lethbridge)		Barley	114.00	111.00	111.20	130.00
To:	Bayport, ON (1)	In-store	Wheat	125.61	126.61	127.61	178.61
			Oat	N/A	N/A	N/A	N/A
			Barley	141.39	138.39	138.59	157.39
	Montreal, QC (1)	In-store	Wheat	130.03	131.03	132.03	183.03
			Oat	N/A	N/A	N/A	N/A
			Barley	146.31	143.31	143.51	162.31
	Moncton, NB	Truck via Halifax	Wheat	152.25	153.25	154.25	205.25
			Oat	N/A	N/A	N/A	N/A
			Barley	170.50	167.50	167.70	186.50
	Truro, NS	Truck via Halifax	Wheat	146.22	147.22	148.22	199.22
			Oat	N/A	N/A	N/A	N/A
			Barley	168.00	165.00	165.20	184.00
	Halifax, NS (1)	In-store	Wheat	137.28	138.28	139.28	190.28
			Oat	N/A	N/A	N/A	N/A
			Barley	154.30	151.30	151.50	170.30
	Stephenville, NL	Track / Truck via Sydney	Wheat	200.63	201.63	202.63	253.63
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
	Melfort, SK		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Bayport, ON		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Montreal, QC		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Moncton, NB		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Truro, NS		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
	Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A

Selected Points		Price Basis		This week 1-Nov-04	Last week 18-Oct-04	Month ago 4-Oct-04	Year ago 3-Nov-03
Corn							
From:	US Lake Port	On Board Vessel		99.72	100.76	100.81	128.46
To:	Montreal, QC (1)	In-store		118.76	119.80	119.85	147.50
From:	Chicago (Mi)	Track		82.90	110.50	105.78	126.38
To:	Montreal, QC	Track		111.76	139.36	134.64	155.24
From:	Chatham, ON	Track		111.29	111.67	128.02	141.04
To:	Montreal, QC	Track		135.16	135.54	151.89	164.84

Soymeal 48% Protein

From:	Hamilton, ON			237.99	238.54	237.44	362.10
To:	Montreal, QC	Track		262.32	262.87	261.77	386.43
	Moncton, NB	Track		281.07	281.62	280.52	405.18
	Truro, NS	Track		284.29	284.84	283.74	408.40
	Stephenville, NL	Track / Truck via Sydney		332.92	333.47	332.37	457.03

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

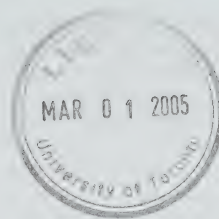
Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



Bi-weekly Bulletin

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DRY BEANS: SITUATION AND OUTLOOK

Canadian dry bean production has increased significantly during the past ten years and is expected to increase further during the next ten years, as Canadian crop production continues to diversify. Although Canada produces only a small percentage of the world's dry beans, it became the third largest exporter of dry beans in the world in 2003-2004, accounting for nearly 10% of world exports. The value of Canadian exports reached \$227 million in 2003-2004. However, exports are forecast to decrease sharply in 2004-2005 due to sharply lower production caused by unfavourable weather in Manitoba, the main producing province. Prices increased for nearly all classes of dry beans. This issue of the *Bi-weekly Bulletin* examines the situation for 2004-2005 and the outlook for dry beans.

BACKGROUND

At the world level, the term *dry beans* refers to several categories of beans. Dry beans produced in North and South America, Europe and Africa belong mainly to the genus *Phaseolus*,

which is of American origin. Most of the beans in the genus *Phaseolus* belong to the species *vulgaris*, widely known as common beans. This species includes the classes of beans produced in Canada, such as white pea, pinto, black, dark and light red

kidney, cranberry, small red, Great Northern, pink, brown and white kidney. The other significant species under the genus *Phaseolus* is *lunatus*, which includes lima beans. In Asia and Australia, most dry beans produced belong to the genus *Vigna*, which is of Asian origin. Common members of *Vigna* include azuki beans (*Vigna angularis*) and mung beans (*Vigna radiata*). In addition, in some countries other crops are included under dry beans. For example, garbanzo beans are included under dry beans in the United States (US). Garbanzo beans are actually kabuli chickpeas and are included with chickpeas in Canada and other producing countries.

Dry beans are a leguminous crop and are able to fix their own nitrogen. Therefore inoculation is recommended. However, they do not fix as much nitrogen as dry peas, lentils, and fababeans. Dry beans are very sensitive to frost; therefore seeding should be done when the risk of a killing spring frost is over and soil temperature is greater than 10 degrees Celsius. They require 90-110 frost free days, depending on class and variety. Dry beans adapt to a wide range of soils, but do best in medium textured soils such as light loams, sandy loams

WORLD: DRY BEAN PRODUCTION

	2000 -2001	2001 -2002	2002 -2003	2003 -2004	2004 -2005f
Harvested Area (kha)	25,252	24,494	26,562	27,149	26,500
Average Yields (t/ha)	0.66	0.67	0.71	0.69	0.66
.....thousand tonnes.....					
US*	1,145	815	1,334	1,001	796
Canada**	268	298	414	356	220
US and Canada	1,413	1,114	1,748	1,357	1,040
Mexico	877	1,263	1,527	1,300	1,300
North America***	2,843	2,920	3,885	3,312	2,960
Brazil	3,038	2,453	3,064	3,308	3,050
Argentina	297	263	278	215	200
South America***	3,683	3,080	3,709	3,916	3,635
Europe	780	834	843	727	775
Africa	2,072	2,467	2,387	2,402	2,316
India	2,700	2,200	2,600	3,000	2,800
China	1,658	1,806	2,159	1,908	1,800
Myanmar	1,285	1,467	1,600	1,650	1,400
Indonesia	301	288	335	317	300
Asia***	7,216	7,033	8,027	8,201	7,595
Australia	37	50	39	55	50
World	16,631	16,383	18,890	18,613	17,307

f: forecast, AAFC except USDA for US and Statistics Canada for Canada, December 2004

Source: FAO, except * USDA (excludes garbanzos) and ** Statistics Canada,

December 2004 (***) includes other countries on the continent.)

and silt loams that offer good water infiltration and good water holding capacity, combined with good internal drainage. Dry beans fit well in crop rotations with crops such as cereal grains and corn.

WORLD

Production

World dry bean production has been variable during the past ten years, but had a slight upward trend. Production, during this period, ranged from a low of 15.7 million tonnes (Mt) in 1994-1995 to a high of 18.9 Mt in 2002-2003.

Dry beans of the genus *Phaseolus* are produced mainly in North and South America, with Brazil, United States (US), Mexico, Canada and Argentina being the main producing countries. During the past 10 years, dry bean production in the US, Brazil, Argentina and Mexico has been variable, with no noticeable trend.

US production (excluding garbanzos) during the past ten years ranged from a low of 0.796 Mt in 2004-2005 to a high of 1.47 Mt in 1999-2000. The top seven producing states for 2004-2005, in order of importance, are North Dakota, Michigan, Nebraska, Idaho, Colorado, California and Minnesota. The top three classes of dry beans

produced in the US are pinto, white pea (navy) and black. Other classes produced include Great Northern, dark and light red kidney, blackeye, small red, pink, cranberry, baby limas, large limas, and small white.

Although China is a relatively small producer of genus *Phaseolus* dry beans, such as black, most of its production of this category of beans is exported.

Trade

World trade in dry beans has been trending upwards during the past ten years. In 2003, the latest year for which data is available, exports were 2.8 Mt. The top five exporting countries in 2003, China, Myanmar, US, Canada and Argentina accounted for 76% of world exports. Imports are distributed much more widely than exports, with the top twenty importing countries accounting for only 67% of world imports in 2003.

In North and South America, Brazil and Mexico are significant net importers of dry beans. Although most of US production is consumed domestically, it had been the largest exporter of dry beans in North and South America, until Canada surpassed it in 2003-2004. About a quarter of US production is exported, mainly to Latin America and Europe. Most of Canadian and Argentine dry bean production is exported.

CANADA

Production

Canadian dry bean production has been trending upwards during the past ten years with most of the growth occurring in Manitoba. White pea beans remain the largest class of beans produced, but most of the growth has been for other classes, commonly referred to as coloured beans, especially pinto. Other classes of dry beans produced in Canada are cranberry, black, Great Northern, dark red kidney, light red kidney, small red and pink. In addition, a small amount of white kidney, brown, azuki, otebo and kintoki, and even smaller amounts of yellow eye, soldier, and Jacob's cattle beans are produced. The

WORLD: DRY BEAN EXPORTS

calendar year	1999	2000	2001	2002	2003
.....thousand tonnes.....					
China	583	447	640	783	947
Myanmar	561	831	1,035	1,101	333
United States	389	349	332	323	321
Canada*	223	228	253	278	315
Argentina	262	265	265	245	217
Other	446	497	490	639	662
Total	2,464	2,617	3,015	3,369	2,795

WORLD: DRY BEAN IMPORTS

calendar year	1999	2000	2001	2002	2003
.....thousand tonnes.....					
India	39	43	164	249	486
United States	70	88	136	180	151
Japan	141	141	135	130	134
Cuba	67	70	83	70	132
United Kingdom	127	119	119	116	120
Italy	81	86	98	98	111
Brazil	93	80	130	82	103
South Africa	42	42	23	44	97
Mexico	128	88	127	106	84
Venezuela	70	73	75	62	70
Pakistan	67	58	55	93	60
Spain	57	54	52	54	58
France	56	53	55	55	57
Algeria	39	37	45	53	49
Netherlands	53	51	54	68	45
Portugal	35	32	30	37	39
Angola	16	35	21	43	37
Costa Rica	25	29	24	32	30
Colombia	36	44	32	23	18
Turkey	12	20	33	41	6
Other	748	759	947	1,191	39
Total	1,893	1,871	2,138	2,398	2,826

The difference between imports and exports could be attributed to the timing of delivery and international classification differences.

Source: FAO - December 2004, except * which is Statistics Canada

CANADA: DRY BEANS PRODUCTION BY PROVINCE

August-July crop year	2000 -2001	2001 -2002	2002 -2003	2003 -2004	2004 -2005
.....thousand tonnes.....					
Ontario	56	57	126	98	112
Alberta	44	60	32	60	43
Manitoba	147	160	231	166	38
Quebec	14	12	18	23	20
Saskatchewan*	7	9	7	9	7
Total	268	298	414	356	220

Source: Statistics Canada, except *which is AAFC, December 2004

Canadian dry bean harvest normally starts in late August and ends by mid-October.

Marketing

Most of the dry beans in Canada are marketed on the open market; however there are several voluntary pooling arrangements. The Government of Canada guarantees the initial payments and marketing costs for two pooling agreements under the Price Pooling Program of the *Agricultural Marketing Programs Act* (AMPA).

The remainder of the dry beans produced in Canada are sold on the open market to dealers. Some dry beans are grown under production contracts which guarantee a price for part of the production. The amount grown under production contracts varies from year to year depending on the level of prices offered under the contracts. The remainder of the dry beans are sold at spot prices.

Prices

Canadian dry bean prices are determined on an export basis because Canada exports roughly 80% of its production. Canadian prices generally follow US prices for the same class of beans adjusted by the exchange rate and transportation cost. Substitution of one class of beans with another is limited in the market place; therefore it is common for wide price spreads to exist between different classes of beans. Supply and demand factors affect

the prices for each class of beans independently.

World supply and demand by class is not available, but total Canadian and US supply has the largest impact on Canadian dry bean prices. Very high Canadian prices occurred in years when the total Canadian and US seeded area decreased and there were production problems in at least one major producing region in Canada or the US. Prices normally relate to total Canadian and US supply conditions unless there

are international influences, such as unusually high demand from importing countries or unusually high competition from other exporting countries. Among countries other than US and Canada, production levels in Brazil, Argentina, Mexico and China also have significant impact on Canadian prices.

Since there is no formal futures market for dry beans, prices are negotiated directly between dealers and customers and are based on supply and demand factors for each class of beans. The prices negotiated could be for nearby or future delivery.

Domestic Use

Canadian domestic use, which includes food, feed, seed, dockage and waste, accounts for only about 20% of production. It has been trending upwards with increased production and increased use for food. Food use has been growing because of increased knowledge that dry beans are a

CANADA: DRY BEANS PRODUCTION BY CLASS						
August-July crop year	2000 -2001	2001 -2002	2002 -2003	2003 -2004	2004 -2005	
	.....thousand tonnes.....					
White Pea	110	116	202	137	72	
Pinto	60	72	72	89	43	
Cranberry	22	18	29	33	33	
Black	18	24	47	24	18	
Dark Red Kidney	10	10	14	13	14	
Great Northern	19	26	15	24	13	
Light Red Kidney	8	8	11	10	7	
Small Red	14	14	9	12	4	
Pink	1	5	5	5	3	
Other*	6	5	10	9	13	
Total	268	298	414	356	220	

* brown, white kidney, azuki, otebo and kintoki

Source: AAFC estimate based on Statistics Canada and industry reports, December 2004

CANADA: DRY BEANS EXPORTS						
August-July crop year	2000 -2001	2001 -2002	2002 -2003	2003 -2004	2004 -2005f	
	.....thousand tonnes.....					
United States	77	124	91	118	85	
Europe	96	93	135	129	80	
Central America & Caribbean	12	11	15	40	16	
Africa	6	14	15	25	8	
Asia	9	7	20	17	8	
Oceania	2	2	9	8	3	
Middle East	9	6	6	5	3	
South America	16	6	6	2	2	
Total	227	263	297	344	205	

f: forecast, AAFC, December 2004

Source: Statistics Canada

CANADA: DRY BEANS SUPPLY AND DISPOSITION						
August-July crop year	2000 -2001	2001 -2002	2002 -2003	2003 -2004	2004 -2005f	
Seeded Area (kha)	169	184	230	167	163	
Harvested Area (kha)	162	175	219	167	126	
Yield (t/ha)	1.65	1.70	1.89	2.13	1.75	
	.....thousand tonnes.....					
Carry-in Stocks	40	50	30	70	30	
Production	268	298	414	356	220	
Imports	40	42	40	31	35	
Total Supply	348	390	484	457	285	
Exports	227	263	297	344	205	
Domestic Use	71	97	117	83	70	
Total Use	298	360	414	427	275	
Carry-out Stocks	50	30	70	30	10	
Stocks-to-use ratio (%)	17	8	17	7	4	
Harvested Area (kac)	400	432	541	413	311	
Yield (lb/ac.)	1,476	1,519	1,687	1,902	1,562	

f: forecast, AAFC, December 2004

Source: Statistics Canada and AAFC

healthy food, increased use of dry beans in ethnic cuisine, and the development of quick-cooking and specialty products.

Exports and Imports

Canadian exports have been trending upwards in line with the increase in production. Although exports increased to all regions of the world, the largest increase was to Europe and the US. The main importing countries are the US, mainly coloured beans, and the United Kingdom (UK), mainly white pea beans. Other major importing countries are Italy, Angola, Cuba, Dominican Republic and Japan. All exports are carried out by bean dealers. With about 80% of Canadian dry bean production moving to other countries, Canadian producers and dealers are far more dependent on exports than their counterparts in most other countries.

Canadian imports of dry beans are mostly from the US. There is a brisk trade in dry beans in both directions across the Canada-US border. Since many US and Canadian dealers are located near the border, many producers in both countries deliver beans across the border if there is a price advantage. In addition, dry beans are exported to processing plants in both countries and some of the imported beans are re-exported to other countries.

Organizations

The Canadian Grain Commission (CGC) administers quality standards for dry beans. For information, or to access the Official Grain Grading Guide, please visit the CGC website: (www.grainscanada.gc.ca). Lower grade beans can usually be upgraded to No. 1 Canada through processing, which includes cleaning and colour sorting.

The Canadian Special Crops Association (CSCA) (www.specialcrops.mb.ca) establishes trade rules for domestic trade and serves as a forum for exporters, dealers and brokers involved in the industry of trading Canada's pulse and special crops, including dry beans. The website includes a section where buyers can submit a request for prices.

Pulse Canada

(www.pulsecanada.com) is an industry organization, with the CSCA and provincial pulse growers' organizations as members. It is involved in market development and market access activities, coordination of scientific research and development, and policy issues. The website contains information on pulse crops, markets, and health and nutrition.

UTILIZATION

Dry beans are used almost entirely for human food. They are either canned, packaged dry for retail sale or further processed into products such as

refried beans, pork and beans, stews, soups, chili, bean flour, bean paste, fibre biscuits, and snack food. Only a small amount of low grade, weather-damaged beans are used for livestock feed.

About 85% of dry beans are consumed in the countries where they are produced. India, Brazil, Mexico, US, and China are the world's largest consumers of dry beans. However, China and India consume mainly genus *Vigna* beans, especially mung beans. On a regional basis, per capita consumption is the highest in Latin America at about 15 kilograms (kg) per annum, and is predominantly of coloured beans such as pinto, black, red kidney, and cranberry.

Healthy Diet

Pulses, including dry beans, are increasingly being used in health-conscious diets to promote general well-being and reduce the risk of illness. They are low in sodium and fat, high in protein, and are an excellent source of both soluble and insoluble fibre, complex carbohydrates, vitamins (especially B vitamins) and minerals (especially potassium, phosphorus, calcium, magnesium, copper, iron and zinc). Dry beans are an inexpensive, high quality source of protein.

Since dry beans are high in fibre, low in sodium and fat, and are cholesterol free, they are an excellent heart healthy food that may be beneficial to the prevention of coronary and cardiovascular disease.

Eating dry beans may help lower blood cholesterol levels due to their high content of soluble fibre and vegetable protein.

Dry bean consumption can be beneficial in the management of type-2 diabetes because they have a low glycemic index of 55 or less, indicating that their effect on blood glucose is less than that of many other carbohydrate containing foods. Dry beans also have other health effects, such as reducing blood lipids, that may help some serious complications of diabetes.

UNITED STATES AND CANADA: TOTAL DRY BEAN* SUPPLY AND DISPOSITION

<i>crop year**</i>	2000	2001	2002	2003	2004
	-2001	-2002	-2003	-2004	-2005f
	.....thousand tonnes.....				
Carry-in Stocks	495	324	125	330	300
Production	1,407	1,112	1,736	1,357	1,016
Total Supply	1,902	1,436	1,861	1,687	1,316
Use	1,578	1,311	1,531	1,387	1,226
Carry-out Stocks	324	125	330	300	90
Exchange Rate***	1.523	1.569	1.495	1.338	1.275

* excluding kabuli chickpeas (garbanzos)

** Canada (August-July); US (September-August)

*** US\$1=CAN\$

f: forecast, AAFC and industry, December 2004

Source: USDA, Statistics Canada, US Dry Bean Convention, other industry reports and AAFC estimates

Flour made from dry beans is gluten free and is a very nutritious option for people with celiac disease.

Dry beans fit well in vegetarian diets as they are a good source of iron and protein, and complement the amino acid profile of cereal grains and nuts.

Insoluble dietary fibre consumption can be beneficial to a healthy colon and has been associated with reducing the risk of colon cancer. In addition, diets high in fibre have demonstrated beneficial effects on weight loss because they deliver more bulk and less energy.

Dry beans are an excellent source of the B vitamin folate which is an essential nutrient. In addition, folate consumption during pregnancy has been shown to reduce the risk of neural tube defects.

OUTLOOK

World: 2004-2005

World production is expected to decrease by 7%, from 2003-2004, to 17.3 Mt.

Canada and US: 2004-2005

Canadian dry bean seeded area decreased by 2% to 163,000 hectares (ha). White pea bean area decreased by 5% to 65,000 ha and coloured bean area decreased by 1% to 98,000 ha.

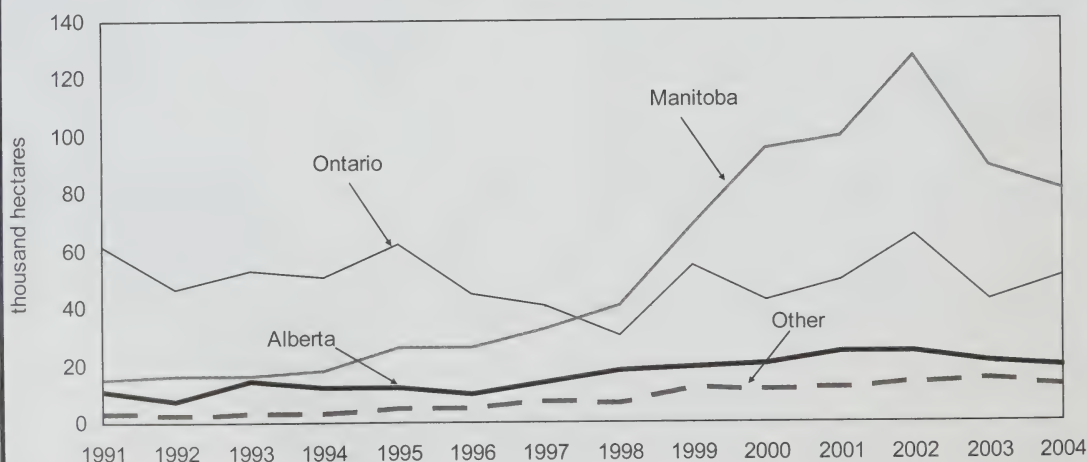
Canadian dry bean production decreased by 38% to 220,000 tonnes (t), the lowest level since 1998, due mainly to unfavourable growing conditions in Manitoba. Seeding in that province was late because of wet and cold weather, and the wet and cool weather continued during most of the growing period, which delayed crop development. Frost occurred in the dry bean growing areas as early as late August. The wet weather continued during the harvest period, which further reduced yields and quality, and increased crop abandonment. As a result, Manitoba produced only 17% of Canada's dry

beans although it accounted for 50% of Canada's seeded area. Canadian production decreased for nearly all classes of dry beans.

Canadian supply of dry beans decreased by 38% to 285,000 t and total use is expected to decrease sharply due to the low supply. Carry-out stocks are expected to decrease to a low level.

US production decreased by 20% to 796,000 t (excluding garbanzos). Production decreased for the major classes of dry beans, with the exception of black for which production increased, and small red and cranberry for which production was stable. US seeded area decreased only slightly, but unfavourable weather in North Dakota and Minnesota reduced yields and increased abandonment. These states had the same problems as Manitoba, but the degree of damage was not as severe. Supply decreased by 15% to 1.07 Mt, as slightly higher carry-in stocks offset some of the decrease in production. The top three bean classes, pinto, white pea (navy) and black, accounted for 46%, 12% and 11% of US dry bean production,

CANADA: DRY BEANS SEEDED AREA BY PROVINCE



* Other: Quebec and Saskatchewan

Source: Statistics Canada

respectively, in 2004-2005.

In the US, dry beans are not included under the loan program of the US *Farm Security and Rural Investment Act of 2002*, nor were they included under the previous program.

Total Canadian and US supply decreased by 22% to 1.32 Mt. Total use and carry-out stocks are expected to decrease, due to the lower supply. Total Canadian and US supply decreased for the major classes of dry beans, with the exception of black.

The lower total US and Canadian supply is expected to, in general, support Canadian prices, but some of the support is expected to be offset by the stronger Canadian dollar. Average prices are expected to increase for the major classes of dry beans, with the exception of Great Northern. Although the total US and Canadian supply increased for black beans, this is expected to be offset by higher demand, due to reduced competition from China and Argentina.

Canada and US: 2005-2006

Early indications are that the seeded area for dry beans will increase in both countries, as prices are very attractive for most classes of beans. However, the increase in seeded area could be limited by the seed supply and by possible discouragement of producers in North Dakota, Minnesota and especially in Manitoba, because of the poor crop in 2004-2005. Other factors which are expected to affect the seeded area are the level of prices offered in production contracts and the US/Canada exchange rate.

Canada: Long-Term

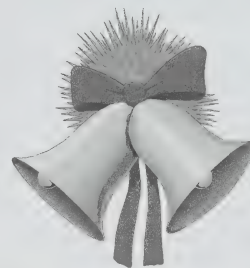
Canadian dry bean production is expected to increase over the decade, with the bulk of the growth occurring in western Canada, especially in Saskatchewan and Manitoba. The Saskatchewan dry bean industry is still in the development stage, but work is underway to develop shorter season pinto, black, white pea, Great Northern,

small red and other bean varieties. Commercial production of some shorter season varieties has started and Saskatchewan is expected to become an important dry bean producer. Production in Manitoba is also expected to grow and will likely expand into new areas with the development of shorter season varieties. The potential growth in Alberta dry bean seeded area is limited because beans use mainly irrigated land and face competition from crops, such as potatoes and sugar beets, which have higher net returns per hectare. Outside the irrigated area, Alberta is generally either too dry or has too short a growing season for dry bean production, but there could be some growth in new areas with the development of shorter season varieties.

Mexico, one of the largest importers of dry beans in the world, has the potential of becoming an important market for Canada. Under the *North American Free Trade Agreement*, a 15 year transition period, ending in 2008, was established for the import of dry beans from the US and Canada. For 2005, Canada has a tariff rate quota (TRQ) of 2,076 t and an over TRQ tariff of 35.2%. Although imports within the TRQ are tariff-free, the importers have to pay for the right to import at a level established through an auction system. Dry beans imported for seeding already have a zero tariff rate. Canadian dry bean exports to Mexico are expected to trend upwards during the next decade as the tariff rate is lowered and then eliminated. The over TRQ tariff rate is scheduled to decrease to 23.5% in 2006 and 11.8% in 2007, and be eliminated in 2008. One concern is that the government of Mexico will be pressured by producers to apply non-tariff barriers to limit imports once the tariffs are eliminated. The Mexican demand is mainly for coloured beans, especially pinto and black.

For periodic updates on the situation and outlook for dry beans, visit the Market Analysis Division Website for "Canada: Pulse and Special Crops Outlook."

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Season's Greetings

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CLASSES OF DRY BEANS PRODUCED IN CANADA

WHITE PEA (*also known as navy and alubias chica*)

- produced in Manitoba and Ontario
- small white oval beans used mainly for canning and dry packaging
- seeds/100 grams (g): 450-525
- mainly canned in tomato sauce; also used in soups, stews, pork and beans, baked bean dishes, salads and purees
- main export destinations are: UK, other EU, US

PINTO

- produced mainly in Manitoba, Saskatchewan and Alberta
- medium oval beans, with white to beige background and brown mottled flecks
- seeds/100 g: 260-300
- used for refried beans and dry packaging, a favourite for Mexican and South American dishes; beans turn solid pink when cooked
- main export destinations are: Central America and Caribbean, South America, Angola

BLACK (*black turtle, preto*)

- medium black oval beans produced mainly in Manitoba and Ontario
- seeds/100 g: 500-550
- used for canning and dry packaging
- popular in Caribbean, Mexican and South American cuisine, traditional in soups, black beans and rice, stews and sauces; adds colour to salads
- main export destinations are: Central America and Caribbean, South America, US

LIGHT RED KIDNEY

- produced mainly in Ontario and Manitoba
- kidney shaped, brownish red in colour
- seeds/100 g: 170-220
- used for canning and dry packaging
- used in salads, casseroles, red beans and rice, chili and Mexican cuisine
- main export destinations are: EU, the Middle East, Central America and Caribbean, South America

DARK RED KIDNEY

- produced mainly in Ontario and Manitoba
- kidney shaped, dark red in colour
- seeds/100 g: 150-200
- used for canning and dry packaging
- favoured bean for making New Orleans red bean dish, soups, casseroles and chili
- main export destinations are: EU, US

SMALL RED (*red Mexican*)

- produced mainly in Alberta and Manitoba
- dark red beans
- seeds/100 gm: 275-330
- used for canning and dry packaging
- adds sparkle to bean salads; can be used in any coloured bean recipe including soups, salads, chili and Creole dishes
- main export destinations are: Central America and Caribbean, South America, US

AZUKI

- small red bean
- produced in Ontario
- sweet red bean paste
- exported to Japan

GREAT NORTHERN (*large white*)

- produced mainly in Alberta and Manitoba
- medium white oval beans
- seeds/100 g: 280-330
- a frequent choice for soups, stews, casseroles, baked dishes and mixing with other varieties
- used for dry packaging
- main export destinations are: Northern Africa, the Middle East, EU

PINK

- produced mainly in Alberta and Manitoba
- pinkish beige beans
- seeds/100 g: 330-400
- used for refried beans and dry packaging
- popular in barbecue style dishes, chili, soups, salads and casseroles
- main export destinations are: Central America and Caribbean, South America, US

BROWN (*dutch brown*)

- produced in Ontario and Manitoba
- tan in colour, with a white hilum
- seeds/100 g: 210-300
- used for canning and dry packaging
- main export destination is: Netherlands

WHITE KIDNEY (*Cannellini, alubia type*)

- flat white bean
- produced in Ontario
- seeds/100 g: 150-200
- used for canning and dry packaging
- make a perfect low fat base for dips and spreads
- main export destination is: EU

CRANBERRY (*romano, speckled sugar*)

- produced in Ontario, Quebec and Manitoba
- burgundy mottled beans with a white to buff seed coat
- seeds/100 g: 145-225
- used for dry packaging & canning; in soups, stews, chili & salads
- a favourite for Italian cuisine
- main export destinations are: UK, Central America and Caribbean, South America

KINTOKI

- red bean
- produced in Ontario
- exported to Japan
- consumed whole as sweetened cooked beans

OTEB0

- white bean
- produced in Ontario
- sweet white bean paste
- exported to Japan

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US AND CANADA: TOTAL SUPPLY AND DISPOSITION FOR MAJOR CLASSES OF DRY BEANS

	thousand tonnes					thousand tonnes					thousand tonnes				
	2000 -2001	2001 -2002	2002 -2003	2003 -2004	2004 -2005f	2000 -2001	2001 -2002	2002 -2003	2003 -2004	2004 -2005f	2000 -2001	2001 -2002	2002 -2003	2003 -2004	2004 -2005f
WHITE PEA															
Carry-in Stocks	147	117	47	138	55										
Production	326	220	442	251	169										
Total Supply	473	337	489	389	224										
Use	356	290	351	334	214										
Carry-out Stocks	117	47	138	55	10										
Average Producer Price*															
\$/t	375	617	364	463	639										
\$/lb	0.170	0.280	0.165	0.210	0.290										
GREAT NORTHERN															
Carry-in Stocks	22	16	20	9	55										
Production	132	121	85	125	56										
Total Supply	154	137	105	134	111										
Use	138	117	96	79	86										
Carry-out Stocks	16	20	9	55	25										
Average Producer Price*															
\$/t	507	562	562	463	463										
\$/lb	0.230	0.255	0.255	0.210	0.210										
PINKO															
Carry-in Stocks	160	101	35	96	114										
Production	544	468	656	562	407										
Total Supply	704	569	691	658	521										
Use	603	534	595	544	496										
Carry-out Stocks	101	35	96	114	25										
Average Producer Price*															
\$/t	408	816	430	452	705										
\$/lb	0.185	0.370	0.195	0.205	0.320										
LIGHT RED KIDNEY															
Carry-in Stocks															
Production															
Total Supply															
Use															
Carry-out Stocks															
Average Producer Price*															
\$/t															
\$/lb															
DARK RED KIDNEY															
Carry-in Stocks															
Production															
Total Supply															
Use															
Carry-out Stocks															
Average Producer Price*															
\$/t															
\$/lb															
SMALL RED															
Carry-in Stocks															
Production															
Total Supply															
Use															
Carry-out Stocks															
Average Producer Price*															
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CRANBERRY															
Carry-in Stocks															
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BLACK															
Carry-in Stocks															
Production															
Total Supply															
Use															
Carry-out Stocks															
Average Producer Price*															
\$/t															
\$/lb															

* Manitoba spot price, No. 1 Canada grade

f. forecast, AAFC, December 2004

Source: USDA, Statistics Canada, US Dry Bean Convention, other industry reports and AAFC estimates



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